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**Luxury lives on in Asia. Now, where to spend that cash?**
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THE WALL STREET JOURNAL.

# THE WALL STREET JOURNAL.

VOL. XXXIV NO. 83 (India facsimile VOL. 1 NO. 144) * * ASIA Thursday - Sunday, December 24 - 27, 2009

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# Ford nears deal to sell Volvo to Geely

By Matthew Dolan And Norihiko Shirouzu

DETROIT—**Ford Motor Co.** on Wednesday moved a step closer to offloading its Volvo division after working out a framework to sell the unprofitable Swedish brand to a privately held Chinese auto maker.

Ford said it has settled "substantial commercial terms" of the proposed sale to **Zhejiang Geely Holding Group** Co. But financing of the deal and government approvals have yet to be completed, though Ford expects a definitive agreement to be signed in the first quarter of 2010 and the sale finished by midyear.

Concluding the commercial terms is "just one step in the process," said Volvo spokeswoman Maria Bohlin. "There's still a long way to go."

Geely plans to finance the Volvo bid of around $2 billion with a combination of cash, bank loans and funds from a small number of investors, according to people familiar with the discussions. Investors include a government-owned fund based in Tianjin, China.

It is unclear how long it could take Geely to secure the financing and government approvals. Earlier this year General Motors Co. worked out a deal to sell its Hummer unit to a Chinese company but the sale is still pending.

The proposed sale highlights the increasing efforts by Chinese car makers to expand beyond their booming home market and gain access to advanced automotive technology needed to compete with the world's leading car companies.

For Ford, selling Volvo would complete the dismantling of Ford's international acquisitions after the earlier sales of luxury brands Jaguar, Land Rover and Aston Martin.

Ford Chief Executive Alan Mulally has been intent on streamlining the company to focus on promoting the Ford brand world-wide. Mr. Mulally had wanted to keep Volvo and try to rebuild its luxury image but changed his mind amid continued losses at both Ford and Volvo.

*Please turn to page 16*

## Philippine forces play Santa to keep volcano evacuees safe

Associated Press

Philippine police and soldiers in Legazpi donned Santa hats and red clown noses and belted out songs in packed evacuation centers in a bid to keep 47,000 displaced residents from sneaking back to their homes on the slopes of the lava-spilling Mayon volcano. **See wsj.com for updates.**

# Trial in Beijing stirs rights fears

By Loretta Chao

BEIJING—China's government held a brief trial of its most prominent dissident, setting the stage for an expected Christmas Day verdict that will likely be seen as a show of defiance against outside critics of the country's human-rights practices.

Authorities have accused Liu Xiaobo, a 53-year-old literature scholar who has been clashing with the government since the 1980s, of "inciting subversion of state power." His trial started Wednesday morning in the Beijing No. 1 Intermediate People's Court and ended the same day, according to his lawyer, Shang Baojun, who said the verdict will be delivered Friday.

Observers of such political trials in China say it is almost certain that Mr. Liu, who has been in custody for more than a year, will be found guilty.

Mr. Liu faces a possible sentence of as many as 15 years. Mr. Shang said the maximum sentence is rarely given, but "there is a large chance that Liu Xiaobo will be sentenced to imprisonment."

U.S. officials and international rights groups have repeatedly called for the release of Mr. Liu, who helped write "Charter 08." That manifesto, published on the Internet shortly before his detention, called for sweeping legal and political changes and represented one of the boldest challenges to Communist Party rule in the recent past.

*Please turn to page 16*

# U.S.-Japan ties may hinge on mayor's race

By Yuka Hayashi

NAGO, Japan—The course of U.S.-Japan relations, and the future of the American military presence here, may come down to who wins the mayoral election in this island town hundreds of miles from Tokyo.

Ties between Japan's new center-left government and the Obama administration have become strained in recent weeks over intensifying debate about the U.S. military presence on the southern island of Okinawa. The sides agreed in 2006 to close an airbase in Okinawa's center and build a V-shaped runway for the Marine Corps outside this town on the island's scenic coast.

New Japanese Prime Minister Yukio Hatoyama, who promised during his campaign that he wouldn't allow the new base, has resisted U.S. calls to move ahead by year's end on the troop relocation plans. Last week, he said his government would put off a decision on bases here until next year.

That helped transform Nago City's Jan. 24 mayoral vote into a de facto referendum on the U.S. military in Japan. The current mayor wants to build the airfield. His challenger, who doesn't, has gained momentum from Mr. Hatoyama's no-bases stance.

"People in Okinawa had resigned to the idea of a new facility. But Mr. Hatoyama's promise to move it elsewhere has really fired us up," said Eiji Chinen, chairman of Okinawa Employers' Association, a powerful local business lobby that has traditionally supported coexistence with U.S. bases. "If the government doesn't keep its word, there would be a tremendous pushback."

*Please turn to page 16*

Yuka Hayashi/The Wall Street Journal

The wish of Yoshikazu Shimabukuro, mayor of Nago, Okinawa, that a U.S. Marines airfield be built nearby puts him at odds with Tokyo.

**— NOTICE —**

The Wall Street Journal Asia won't publish Friday in observance of the Christmas holiday. News updates during this time will be available to subscribers of the Online Journal at asia.WSJ.com.

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# PAGE TWO

## What's News—

* * *

*Business & Finance*

■ **An Australian court** dismissed allegations that Fortescue Metals and its billionaire chief executive misled investors over agreements with Chinese companies in 2004. The ruling was another defeat for Australia's securities watchdog. **17**

■ **U.S. stocks were flat** in the last full trading day before Christmas. In Asia, Indian shares rose 3.2% to their highest close in more than two months on encouraging comments about economic growth. **27**

■ **Global investment banks** reaped big payoffs from Asian-Pacific operations this year as the world reeled from recession, generating 20% of their fees from the region, up from 14% in 2008. **25**

■ **Defense attorneys** for Galleon Group's Raj Rajaratnam and Danielle Chiesi asked a U.S. judge to deny the government's request to conduct a criminal trial before the parallel SEC case. **22**

■ **A Hong Kong judge sentenced** a former senior vice president at HSBC Holdings to 20 months in jail for accepting a $60,000 bribe in exchange for approving a credit facility for a shoe maker. **24**

■ **U.S. new-home sales plunged** to their lowest level in seven months in November, while Americans' income gained by the largest amount in half a year. **7**

■ **A rebound** in India's industrial activity could help push economic growth to nearly 8% this fiscal year, the finance minister said. **4**

■ **Glencore sold** $2.2 billion in convertible bonds, a cash infusion that could be a precursor to an IPO for the closely held Swiss natural-resources trading giant. **24**

■ **China Pacific Insurance** rose 1.1% on its trading debut in Hong Kong, in lackluster trading ahead of the Christmas holiday. **27**

■ **Dubai's debt crisis** will continue to hang over the earnings and credit quality of banks in 2010, S&P said in a report on the outlook for credit markets. **25**

■ **Taiwan's export orders** grew at their fastest pace in more than 22 years in November, on solid demand from all export markets. **4**

■ **A U.S. appeals court affirmed** a $290 million judgment barring Microsoft from selling current versions of its Word software. **19**

■ **BlackBerry service** was interrupted for the second time in a week, pressuring maker Research In Motion as competition increases. **22**

■ **Novartis is paying** up to $620 million for the world-wide rights to an experimental heart drug. **20**

Reuters

Japanese Emperor Akihito, third from left, waves to well-wishers with members of his family as they celebrate his 76th birthday at the Imperial Palace on Wednesday in Tokyo. Read articles in Japanese at japan.wsj.com

■ **Fiat's CEO said the company** would invest more than $11.4 billion to boost output in Italy. **21**

* * *

*World-Wide*

■ **Russia's top court struck down** the 2003 arrest of Yukos's Platon Lebedev, which is a rare but likely symbolic victory for the oil company's shareholders. **7**

■ **Security forces clashed** with opposition protesters gathered for a memorial for Iran's most senior dissident cleric at a mosque in the central city of Isfahan.

■ **China's state-owned banks** are expanding their lending in Africa, another facet of Beijing's investment push on the continent. **6**

■ **An Afghan parliament member** was mistakenly killed in a shootout between his bodyguards and police in northern Baghlan province, officials said.

■ **Venezuela and China** signed deals that give China more access to Venezuela's vast oil reserves.

■ **A German mediator entered** Gaza a day after Israel sent Hamas a revised prisoner-exchange proposal to free an Israeli soldier, saying it would meet some conditions but not others. **6**

■ **New Zealand's economy grew** 0.2% in the third quarter, but economists said the tepid growth is unlikely to spur immediate action on interest rates by the nation's central bank.

## Inside

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--**Kevin Buckler**, founder of TRG Motor Sports

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### Speakeasy

blogs.wsj.com/speakeasy

Singer Mary J. Blige stopped by The Wall Street Journal to talk on camera about her new album.

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WORLD NEWS

# China sets guidelines for industries

*Beijing gives details for achieving its policy of curbing excess capacity in some sectors while boosting growth in others*

By Terence Poon

BEIJING—China said Wednesday it will tighten access to capital for companies in certain sectors, while helping businesses in industries it is trying to develop to raise funds, in its most detailed guidance yet for curbing excess output capacity and encouraging new growth sectors.

The guidelines, issued by four government agencies, build on a September directive from the State Council, China's cabinet, to tighten lending to companies and investment projects that violate industrial policy. They also stop such companies, and those in sectors deemed to have excess capacity, from issuing bonds or shares.

How effective the guidelines will be at reining in excess capacity and nurturing new companies and industries will depend on how well local authorities and financial firms implement them.

The latest campaign is likely to present a challenge similar to one Beijing faced during the economic upswing earlier this decade: Local authorities, seeking to quicken growth in their region, often defy the central government by continuing to encourage investments.

The government addressed the guidelines to local branches of the central bank and financial regulators, and banks.

"The authorities in Beijing have a long history of announcing reforms that sound impressive on paper," said Mark Williams, an economist with Capital Economics. "But they aren't necessarily translated into action on the ground."

While the government has told the steel industry for months to curb capacity, it has made little headway. According to the industry ministry, China has steel plants with an annual capacity of about 58 million tons under construction, while existing capacity, estimated at 660 million tons, represents an excess of nearly 200 million tons over current domestic demand.

By tackling excess production capacity in some industries, such as steel and cement, Beijing hopes to avoid bad investments, bad loans and job losses. But the government still wants to direct enough funds to other industries, such as medicine and environmental protection, so the new businesses can grow and sustain the economic rebound, which has so far relied mostly on public-investment projects.

The financial sector should "ensure the reasonable financing demand of sectors under industrial revitalization plans are met, boost domestic demand, enhance credit composition, push forward transformation of the mode of growth and restructuring of the economy and eliminate obsolete production capacity," said the People's Bank of China, along with the bank, insurance and securities regulators in the guidelines.

The government has talked about restructuring industries, introducing plans calling for consolidation and technological improvements to help key sectors such as textiles and automobiles, for most of this year. Since September, it has also said it will curb investments in sectors with excess capacity.

The detailed guidelines on how banks and securities firms should operate next year and the central bank's call earlier Wednesday for "balanced" lending next year suggest Beijing isn't about to unwind its stimulus policies across the economy, but is likely to sharpen its focus on restructuring industry and trying to strike a balance between managing inflation risks and promoting growth.

Reflecting China's efforts to secure resources abroad, the guidelines say banks and financial firms "should properly provide credit support" to help major companies build energy and resource plants abroad.

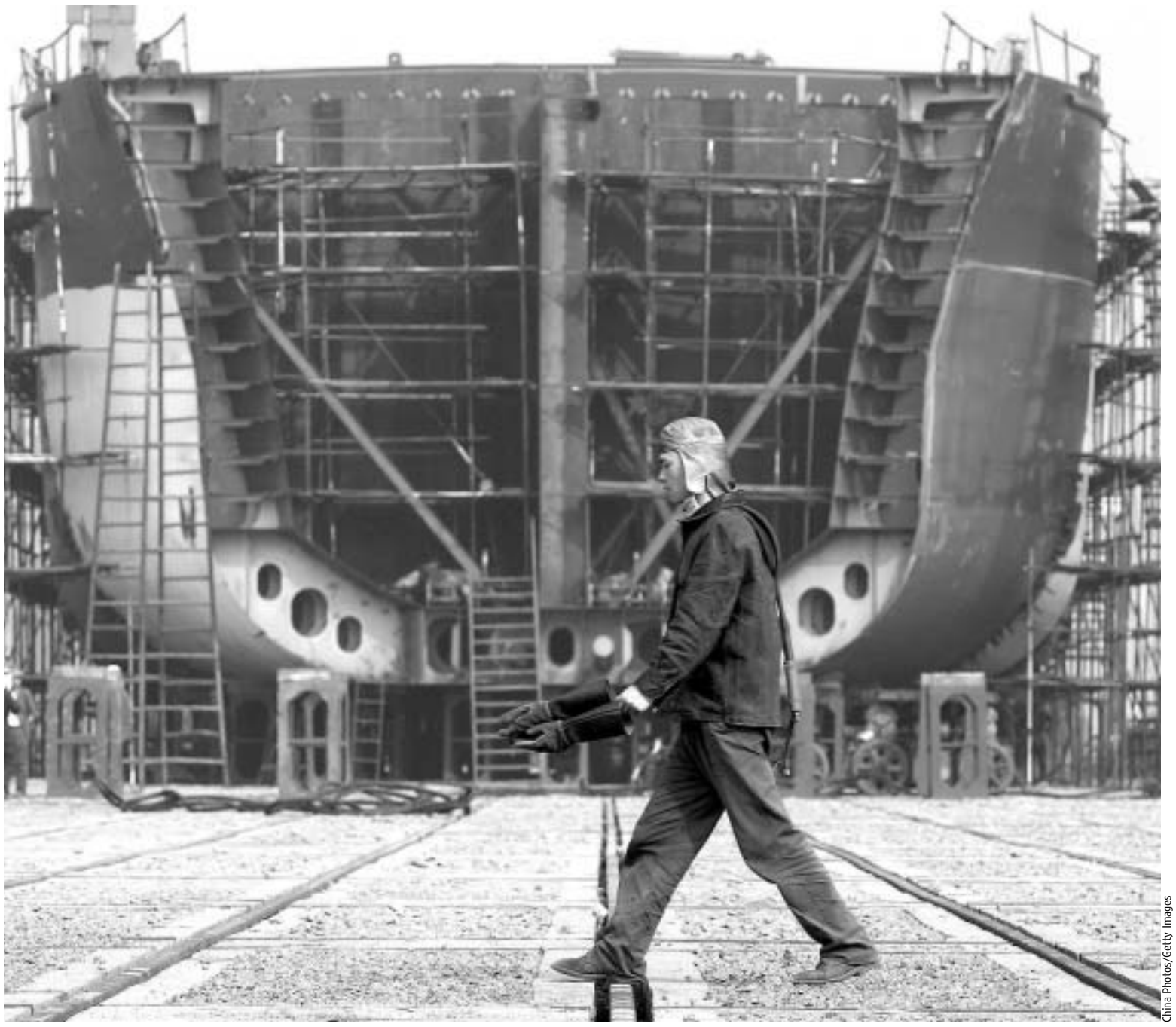
To further consolidation in some sectors, China will explore improving the pricing of mergers and acquisitions through capital markets, and encouraging financial firms to extend loans for such deals, according to the guidelines. Industry minister Li Yizhong on Monday made a similar call, saying his ministry will work with other government agencies to get over hurdles to mergers and acquisitions across regions.

However, Beijing's efforts to get industries to consolidate have often been stymied by local authorities, who fret over losing tax revenue after a merger.

China will also expand a trial to conduct merchandise trade in yuan, to help lower currency risks for companies seeking to grow abroad. The government said it will encourage smaller companies to raise funds by drawing on different forms of collateral, such as the intellectual property rights of electronics firms.

Separately, the PBOC said in a monetary-policy report it will "properly manage credit growth, guide balanced lending by financial firms and avoid big fluctuations" in 2010.

*— Victoria Ruan and Aaron Back contributed to this article.*



China Photos/Getty Images

A worker on a ship under construction in February in Chongqing, China. Beijing has issued guidelines for curbing excess capacity in some industries while lifting others.

**At full tilt**

China's industrial production, change from a year earlier; three-month moving average

Source: China's National Bureau of Statistics via Thomson Reuters

# China imposes antidumping step on EU imports of fasteners

BEIJING—China said Wednesday it decided to impose temporary antidumping measures against carbon-steel fastener imports from the European Union, in its latest trade dispute, just hours after the EU extended an antidumping duty on China-made leather shoes.

Increasing imports of carbon-steel fasteners from the EU has hurt the local industry, China's Ministry of Commerce said in a statement.

Effective Dec. 28, EU fastener makers will be required to pay deposits of 16.8% to 24.6% for carbon-steel fastener exports to China, the statement said.

Imports of EU-made carbon-steel fasteners into China more than doubled from 2005 to 2007, far exceeding growth in local consumption, the ministry said in a report.

Earlier this year, the EU imposed antidumping duties of up to 85% on China-made screws. China said the EU violated World Trade Organization rules, and took the case to the WTO.

China is involved in around 103 trade disputes with a combined value of around $12 billion as of Nov. 30, the latest official data showed.

The EU said Tuesday it will extend a 16.5% antidumping duty on China-made leather shoes, which prompted China to quickly express "strong dissatisfaction." Beijing said it will file an appeal under the World Trade Organization's dispute settlement mechanism.

Beijing-based EU officials declined to comment Wednesday, adding that the EU Trade Commission in Brussels usually responds to antidumping issues.

*—Juan Chen and Terence Poon*

# India's economy may soon accelerate

*Finance minister says rebound in industrial output could push growth to nearly 8%; stocks rise on optimistic outlook*

By Mukesh Jagota, Abhrajit Gangopadhyay And Prasanta Sahu

NEW DELHI—A strong rebound in industrial activity could help push India's economic growth to nearly 8% this fiscal year, increasing chances that the economy's expansion will accelerate further in the next two to three years, the finance minister said.

"It may be possible that overall growth in 2009-2010 to be around 7.75% if things go on as they are right now," said Pranab Mukherjee at a conference of an industry lobby group Wednesday.

That bullish outlook was echoed by Montek Singh Ahluwalia, deputy chairman of the government's top economic think tank, the Planning Commission.

The optimistic comments led stocks higher Wednesday, with the Bombay Stock Exchange's benchmark Sensitive Index jumping 3.2% to 17,231.11, its highest in more than two months.

"It would be more appropriate to say growth for the whole [fiscal] year will be between 7.5% and 8%," Mr. Mukherjee predicted.

In the fiscal year ended March 31, India's economic growth slowed to 6.7%, hurt by the global downturn, after averaging an annual 9% expansion for the previous four years.

"The target growth of 9% to 10%, which we have dreamt of for a very long time, is now within our reach," Mr. Mukherjee said. Asia's third-largest economy grew 7.9% in the July-September period—the fastest pace in more than a year—accelerating from a 6.1% expansion in the preceding quarter.

"Growth outlook for the next two quarters looks bright," Mr. Mukherjee said.

Still, this year's drought—the worst in India in 37 years—has squeezed farm output. Mr. Ahluwalia from the Planning Commission said India's agricultural output would likely shrink to less than 2% growth from a year earlier. He cautioned that the impact of scant rains will be reflected in the economic growth for the October-December period.

Mr. Mukherjee said that while there was a likelihood of a shortfall in agriculture output, "its overall negative impact may be tempered by robust growth in all other sectors."

Activity at India's factories and mines has continued as sharp interest-rate cuts and fiscal stimulus measures lifted demand for automobiles, steel and cement. A protracted slump in exports also has abated, while overseas investors have poured billions into the country's stock market.

India's industrial output rose 10.3% in October from a year earlier, accelerating from 9.1% in September.

The government has been vocal about maintaining its easy fiscal stance through this financial year, despite a sharp spurt in food prices and a gaping fiscal deficit.

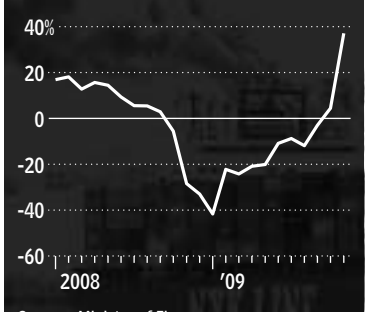
"The challenges in the short-to-medium term are the price rises, a return to a path of fiscal consolidation and providing adequate resources for development," Mr. Mukherjee said.

Reuters

Laborers work inside a steel coil factory in New Delhi. A strong rebound in India's industrial activity could help push overall growth higher, the finance minister says.

**Sailing higher**

Taiwan's export orders, percentage change from previous year




Sources: Ministry of Finance; Bloomberg News (photo)

Right: Ships at Taiwan's pivotal port at Kaohsiung

# Taiwan sees record export surge

By Crystal Hsu

TAIPEI—Taiwan's export orders grew at their fastest pace in more than 22 years in November because of an increase in demand from all the island's export markets, the latest evidence of recovery in the export-reliant economy following its worst-ever recession.

The government said it expects demand to pick up further in 2010 when the island's economy will continue to gradually improve.

Export orders, an indicator of actual shipments for the next one to two months, rose 37.11% from a year earlier to US$31.26 billion in November, the island's Ministry of Economic Affairs said. The growth rate was higher than the median forecast of a 36.8% increase in a Dow Jones Newswires poll of 12 economists and sharply up from October's 4.41% rise to US$31.75 billion.

Huang Ji-Shih, director of the statistics department under the Ministry of Economic Affairs, attributed the sharp improvement in orders to strong demand from major trading partners for communications, electronics and precision products.

"It is noteworthy that orders from Europe posted the first growth since October last year," a further sign of global economic improvement, Mr. Huang said.

A slump in demand during the year-earlier period, when the financial crisis hurt global trade, was also a factor in the sharp increase, he said.

Orders from China and Hong Kong combined rose 73.32% to US$7.88 billion and orders from the U.S. were up 28.27% at US$6.9 billion, according to ministry data.

Orders from Europe increased 14.74% to US$5.98 billion—the first increase since October 2008's growth of 5.23%—and those from Japan were up 23.39% at US$3.83 billion.

By category, orders for precision equipment products, mainly flat panels, almost doubled to US$2.773 billion, and orders for electronics items were up 43.23% at US$7.59 billion, the ministry said.

The ministry expects year-to-year improvement in export orders to continue in December but at a slower pace.

"We expect growth to somewhat slow a bit because first, the holiday season is over, and second, we haven't really seen the [corporate] demand to replace their PCs with new ones with the Windows 7 operating system," Mr. Huang said.

Chuang Rehong, an economist at SinoPac Financial Holding Co., said he expects the value of export orders in December to be between US$30 billion and US$30.7 billion.

"That is not bad for the time of year, thanks to strong demand from China," Mr. Chuang said.

Demand from China may gather further momentum ahead of the Lunar New Year in February, so the first quarter might be better than usual in the traditionally slow season, he said.

Taiwan's industrial output in November rose a preliminary 31.46% from a year earlier, slightly lower than the survey's forecast of 33%. The ministry revised Octobe's industrial output data to a 7.07% increase from the 6.56% gain it disclosed last month.

# India pursues end to protests over new state

By Vibhuti Agarwal

NEW DELHI—India's central government called Wednesday for an end of the protests over plans to carve a new state out of the southern state of Andhra Pradesh and suggested it was time for a broad, political discussion on the issue.

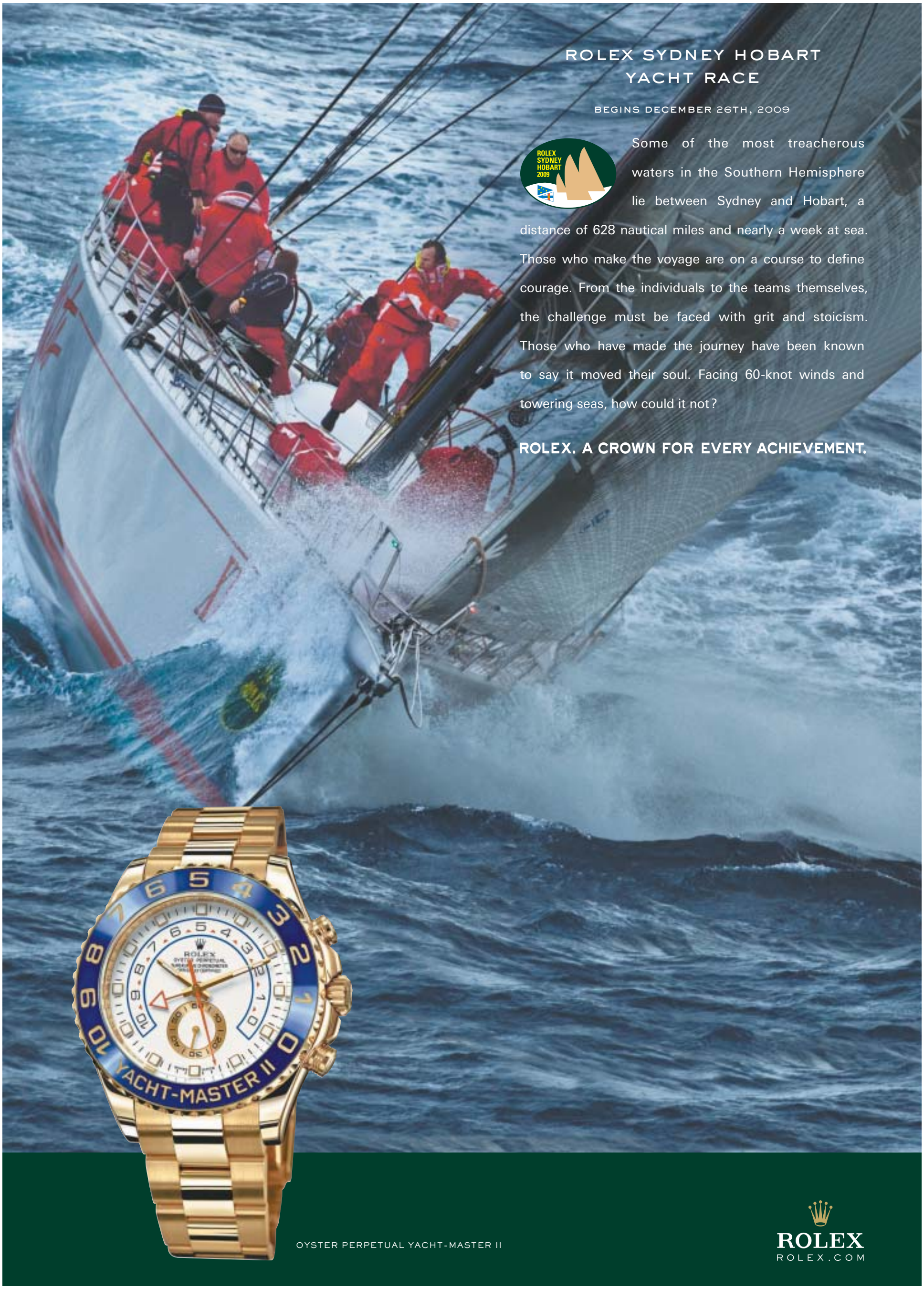
Signs in early December that New Delhi would be willing to allow the Telangana region of Andhra Pradesh to become a separate state triggered protests and demonstrations. So far, 146 of the state's 294 legislators have submitted their resignations in protest. The speaker of the local assembly hasn't accepted them.

"The government will take steps to involve all concerned in the process," India's Home Minister P. Chidambaram said Wednesday. "Peace must be restored."

The Telangana region is spread over most of the western half of Andhra Pradesh. Proponents from the region say Telangana needs to become a separate state because it suffers from high poverty rates and lack of infrastructure after being ignored by current state leaders.

On Tuesday, K. Chandrashekar Rao, head of the Telangana Rashtra Samithi, a political party dedicated to the creation of the state of Telangana, threatened that more than 100 local legislators would resign if the government reversed its decision for the creation of a separate state.

The conflict heated up this month after Mr. Rao went on a hunger strike to demand a new state.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# China's banks expand Africa lending

*In another broadening of Beijing's push on the continent, loans are going to small businesses and infrastructure work*

By J.R. Wu

JOHANNESBURG—Chinese state-owned banks are expanding their lending in Africa, the latest broadening of China's investment push on the continent.

Backed by nearly $9 trillion in deposits, Chinese banks are beginning to finance projects from small businesses to a giant power station. These deals, arranged directly with African banks and companies, mark a departure from the government-to-government contracts struck in the past decade between African nations and China's state investment funds and policy banks.

State-owned **Industrial & Commercial Bank of China** Ltd., the country's largest bank, is among those increasing China's footprint in Africa. In 2008, it took a 20% stake in Johannesburg-based **Standard Bank Group** Ltd., South Africa's largest bank by assets. The deal, valued at about $5.5 billion, was at the time the biggest foreign investment by a Chinese entity. In May, the two banks won a bid to finance a $1.6 billion power-station project in Botswana.

"There is such a huge demand for financing on the African continent that the more the better, and the cheaper the better," said Jacko Maree, chief executive of Standard Bank.

The Botswana power station, set to be completed by 2013, is expected to cut the country's reliance on power from neighboring South Africa. Nearly $1 billion of the deal will pay a Chinese contractor that is building the station.

Also this year, China's second-largest bank, state-owned **China Construction Bank** Corp., extended a $100 million credit line to Industrial Development Corp., the South African government's development-finance arm. The deal, the Chinese bank's first with IDC, aims to provide loans to small borrowers.

Last month, **China Development Bank** Corp., a former state-run policy bank that recently transformed itself into a shareholding lender, opened its first branch on the continent in Cairo.

The arrangements should further bolster trade between China and the continent, which rose to $107 billion in 2008, from about $4 billion in 1995.

The latest wave of loans mark a departure from China's dominant investment model in Africa—primarily, agreements between the likes of the Export-Import Bank of China, a state-run policy bank, and African governments. The China-Africa Development Fund, a Chinese state investment arm, says it has also deployed most of its $1 billion in seed money and plans to grow to about $5 billion in investments.

Such bilateral deals have at times drawn criticism for their lack of transparency by observers including the Rockefeller Foundation and the World Bank. Little information has been released on projects that have included, for example, awards of big contracts to Chinese firms, they say.

Earlier this year, Namibian authorities began investigating an alleged graft case involving Chinese security equipment provider Nuctech Co., which was once run by Chinese President Hu Jintao's son Hu Haifeng, and which had won a deal to supply scanners for Namibia's ports and airports.

Namibian authorities haven't made specific charges regarding Mr. Hu. China has said it is cooperating with Namibian authorities.

China's lenders say they are doing their best to navigate unfamiliar terrain with projects that hold up to public scrutiny.

"We still have a very good reputation in most of the countries on the African continent, and we are still building...higher, positive reputation" in Africa, said Lv Zhengyi, a project manager in Johannesburg for the China-Africa Development Fund.

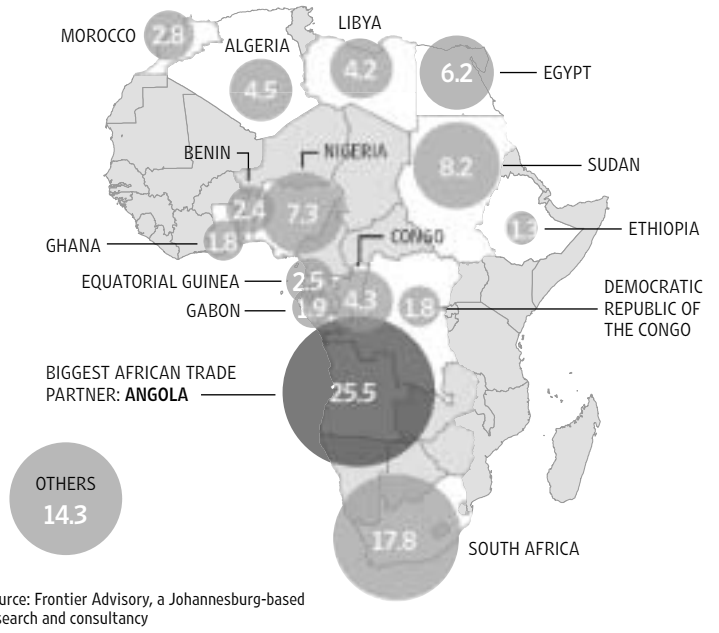
The World Bank has estimated Africa will need $93 billion a year over the next decade to close the continent's infrastructure gap with developed parts of the world. Many African countries, sorely short of capital, have found China a helpful partner in funding and building roads, water supply, power and communication networks.

Some African analysts are worried that a flood of new financing will hobble African companies just beginning to wade into the global marketplace.

A recent policy brief published by the African Center for Economic Transformation, a Ghana-headquartered think tank, recommended that Chinese investments improve the competitiveness of African companies, but that Africa take the initiative. "If China is to become an important partner, African policy makers must drive the agenda," it said.

**Out of Africa**

**China-Africa trade in 2008 reached about US$106.8 billion. Breakdown of key bilateral trade, in billions of U.S. dollars**




Source: Frontier Advisory, a Johannesburg-based research and consultancy

# Captive soldier becomes a cause for Israelis

By Joshua Mitnick

NAHARIYA, Israel—Hope for the release of Sgt. Gilad Shalit, held by Hamas since 2006, has become enough of a cause célèbre to bring Israel near the edge of a trade long considered taboo: releasing as many as 1,000 Palestinian prisoners in return.

The deal still may not happen. Prime Minister Benjamin Netanyahu has been holding marathon meetings this week with half-a-dozen cabinet ministers to discuss a possible swap to end the 3½-year ordeal of the captured soldier, now 23 years old.

On Tuesday, Israel sent Hamas a revised proposal through German intermediaries, saying it was prepared to meet some conditions on the exchange but not others. On Wednesday, a Hamas official said a German mediator had entered Gaza, the Associated Press reported.

A lopsided swap of prisoners would be momentous for Mr. Netanyahu, who has long taken a hard line in dealings with Hamas. The six cabinet ministers with whom the prime minister is consulting are reported to be divided on the matter.

Many Israelis still are concerned about the danger of releasing hundreds of Palestinian prisoners, many of them convicted of violent crimes against Israelis. Shachar Sror, a 37-year old lawyer in Tel Aviv, said he was wavering.

"The release of terrorists leads to one conclusion—that a lot of people will die in the coming months and years," he said. "On the other hand, everyone in Israel looks at his family and sees their point of view."

Noam Shalit, father of abducted Israeli soldier Gilad Shalit, passes cardboard images of his son Monday at a demonstration in Jerusalem. Protesters called for a prisoner-swap of Mr. Shalit for as many as 1,000 Palestinians held in Israeli jails.

European Pressphoto Agency

Hope for Sgt. Shalit's release has surged quickly here since September, when Hamas released a "proof of life" video, showing an apparently healthy Sgt. Shalit with a current newspaper. The Israeli government exchanged 20 female Palestinian prisoners just for the video. The move seemed to launch recent negotiations over a wider release of detainees.

A large swath of Israel's 7.5 million people—who are subject to compulsory military service—have transformed Sgt. Shalit into a national son and brother, rather than a prisoner of war.

Israelis are haunted by the memory of Maj. Ron Arad, an Air Force navigator taken prisoner of war in southern Lebanon in 1986. Successive Israeli governments never sealed a deal for his release, and today Maj. Arad is widely believed to be dead, though Israel's official position is that he is still alive.

To help avoid a repeat, the Shalit family established "The Army of Friends of Gilad"—a grassroots campaign of volunteers, advertising executives and a public-relations strategist.

The soldier's supporters have pitched a tent outside Mr. Netanyahu's office in Jerusalem. They also have put images of Sgt. Shalit on billboards; for months, one stood across from the military's headquarters in Tel Aviv.

A story Mr. Shalit wrote in school, nine years before he was captured, has been turned into a children's book and an art exhibit. A year after his capture, a teacher rediscovered the story, about a shark and a fish who overcome mutual fear to strike up a friendship.

Lee Rimon, an artist who runs a gallery here, commissioned artists to illustrate the book, titled "When the Shark and the Fish First Met." Published two years ago, it became a bestseller. Ms. Rimon helped guide an exhibit of illustrations from the tale, through 11 Israeli cities and the Israeli parliament in Jerusalem.

"The main thing is that Gilad's name should always be in the public consciousness," Ms. Rimon says.

Swapping Palestinian prisoners accused or convicted in militant attacks doesn't bother her, she says.

"I'm not at all logical" about the prisoner swap, she says. "I consider Gilad as part of my family."

One recent morning at a public library in Netanya, a coastal city 32 kilometers north of Tel Aviv, a group of sixth-graders on a field trip viewed the exhibition about Sgt. Shalit's book and listened to an explanation about his life. "We have a social mission" to tell people about Sgt. Shalit, said library director Lea Alon. "He is everyone's soldier. We don't get into the question of price."

Lapid, a village halfway between Tel Aviv and Jerusalem, recently held a vigil for Sgt. Shalit, with events for all ages. A puppeteer performed Sgt. Shalit's tale for children.

Later, teens and adult demonstrators in shirts reading "Gilad is still alive" lit candles and sang.

"He was defending us, and we need to bring him back," said Mor Etzioni, a 10th grader who was selling bumper stickers and T-shirts promoting Sgt. Shalit's release. "We want them to close the deal as quickly as possible."

**WSJ.com**

**Online today**: Track events in the captivity of Mr. Shalit at **WSJ.com/Mideast**

# *Economic reality may put gas, carbon taxes on table*

[ Capital ]

By David Wessel

Politics is the art of making the impossible inevitable.

Higher taxes on gasoline or another tax on carbon or energy use seem politically impossible today, as well as undesirable in an economy struggling to gain momentum.

But two unrelenting forces are likely to push gasoline or carbon taxes onto the public stage in the next year or two, provided the economy regains its health: the swelling U.S. government budget deficit and global resolve to reduce the risk of catastrophic climate change.

Take the deficit first. Over the past year, U.S. government debt has risen from 41% of the nation's output of goods and services, the gross domestic product, to 53%. Without big changes in taxes or spending, it'll rise to 85% of GDP by 2018, 100% by 2022 and 200% by 2038, the Peterson-Pew Commission on Budget Reform estimated recently in a report the band of deficit fighters dubbed, "Red Ink Rising." That trend is unsustainable. Among other things, it would mean an ever larger share of the federal budget going to pay interest, much of it to foreigners. (The panel recommends stabilizing debt at 60% by 2018. That would take spending cuts or tax increases that sum to about $300 billion in that year.)

History suggests that elected politicians eventually will do something politically painful to prevent the U.S. government from becoming the world's largest subprime borrower, either because they decide to care about the next generation or because a financial crisis—a dollar plunge, perhaps—forces action.

"The federal government has promised benefits to the elderly far in excess of what it can pay," Greg Mankiw, a Harvard University economist who advised President George W. Bush, wrote even before the government borrowed so heavily to fight the financial crisis. "At some point the nation will have to reckon with the looming fiscal gap. The most likely political compromise will involve higher tax revenue. We should, therefore, be ready to increase revenue in a way that does the least damage—or, better yet, the most good."

His solution: Raise gas taxes 10 cents a year for 10 years. That would discourage the undesirable (carbon-producing, congestion-causing driving) without discouraging the desirable (work, saving and investment).

Those who want Congress to cut Medicare, Medicaid and Social Security spending sufficiently to shrink the deficit without tax increases shout their opposition. But there is no reason to believe that politicians or those who elect them will cut spending that much. Eventually, the question will be what tax increases are less unappealing than higher energy taxes? And I don't mean tax increases limited to what President Barack Obama calls "the fat cats."

The Copenhagen climate-change talks made the U.S. Congress look orderly and decisive. But the climax may prove more significant than it appeared initially because Mr. Obama and his foreign counterparts put so much personal credibility on the line. "We may look back upon Copenhagen as an important moment—both because global leaders took the reins...and because the foundation was laid for a broad-based 'coalition of the willing' to address effectively the threat of global climate change," says Robert Stavins, a Harvard environmental economist.

Mr. Obama, emboldened by what he sees as historic success on health care, seems eager to tackle energy and environment next even if an exhausted Congress and public are not. "I think there's opportunity to move beyond ideological debates," he told the Washington Post in an interview published Wednesday, "because what I've said is: 'yes' to domestic increases in oil production, 'yes' to save nuclear power. We should be able to [put a] package together that deals with our energy needs and puts our economy on a strong footing long term."

The temptation to do nothing about climate change is strong. Some doubt it is happening; others fear the economic side-effects of preventing it. But there appears an inexorable, if at times halting, march toward a global consensus to do something to minimize the risk of catastrophe. So, again, the question becomes what to do.

In the Copenhagen compact, world leaders vowed "to use markets to achieve cost-effective mitigation actions." That means raising the price of using carbon-producing energy to get people to consume less and to spur industry to find cleaner alternatives. Setting a cap on carbon emissions and creating tradable emission permits seem more politically palatable now. It's basically a way for the government raise the price of carbon-producing activities while dodging the unpopular "tax" label. But it's also very complicated and frightfully easy to game.

The bulk of economists embrace higher energy taxes. Many politicians privately see their advantages, but see so much public hostility that they won't praise them audibly. "In a democracy," Mr. Mankiw once mused, "economic policy is set not by economists but by the general public." And that's as it should be. But economic reality has a way of forcing the public and elected politicians to do things they once thought they would never do.

*Write to me at capital@wsj.com. Discuss at wsj.com/capital.*

# New-home sales sink

*Much of U.S. market's gain since January wiped out; income, spending rise*

By Jeff Bater

WASHINGTON—New-home sales plunged to their lowest level in seven months in November, a bigger-than-expected drop and a sign of a rocky housing-market recovery.

Separately, the income of Americans in November gained by the largest amount in half a year, and consumer spending rose strongly, according to data indicating the economy might have picked up speed near the end of the year.

Sales of new single-family homes decreased 11.3% to a seasonally adjusted annual rate of 355,000, the Commerce Department said Wednesday. The level was the lowest since 345,000 in April. The plunge wiped out much of the gain made in the new-home market since the January bottom. Economists surveyed by Dow Jones Newswires had estimated a 1.2% drop to a 425,000 annual rate for November.

"The obvious culprit for the weakness is the previously scheduled expiration of the home-buyer tax credit," said Michael Feroli, an analyst at J.P. Morgan Chase. The credit was scheduled to expire at the end of November, though it was subsequently extended through the end of April 2010.

"That schedule may have pulled buyers into earlier months as they sought to have the purchase completed before the credit was to expire," Mr. Feroli said.

He said this motive should have had a more pronounced effect on November new-home sales than existing-home sales because new-home sales are recorded at the time of contract signing, earlier than existing-home sales, which are recorded at the time of contract closing.

Analysts also blamed competition from the existing-home market. Home resales are up 44% over the past year as buyers vie to buy for foreclosed properties at a discount.

"About one-third of existing-home sales are forced or distressed sales associated with foreclosures," said Ken Mayland, president of ClearView Economics. "There are some tremendous bargains to be had, price-wise. This is generating tough competition for new-home sales."

Wednesday's report said new-home sales in October rose 1.8% to 400,000, revised from an originally reported 6.2% increase to 430,000.

Year over year, November new-home sales were down 9%.

The median price for a new home dropped in November, but not by much. It was down 1.9% to $217,400 from $221,600 in November 2008.

Meanwhile, a Commerce Department report Wednesday showed personal income increased 0.4% from October, and spending increased 0.5%. A key gauge of prices suggested inflation wasn't yet threatening.

"With income from wages and salaries growing again, it looks like the consumer will be able to keep spending," said Joel Naroff, president of Naroff Economic Advisors.

October data were revised. Income that month rose 0.3% instead of increasing 0.2% as first estimated. Spending climbed 0.6% as opposed to rising 0.7%.

Associated Press

Platon Lebedev, center right, speaks to his lawyers from a courtroom glass dock, as two Russian policemen sit nearby.

# Court gives Yukos rare win

By Gregory L. White

MOSCOW—Russia's highest court struck down the 2003 arrest of the business partner of oil tycoon Mikhail Khodorkovsky, but lawyers said the ruling is a largely symbolic victory that isn't likely to lead to the release of Platon Lebedev.

The ruling was a rare win in Russian court for former shareholders of OAO Yukos. The Russian oil giant was driven into bankruptcy by back-tax claims and sold off earlier this decade in what was widely viewed as a politically motivated attack by the Kremlin on a politically ambitious oligarch.

Messrs. Khodorkovsky and Lebedev were convicted of fraud and tax evasion in 2005 and sentenced to eight years in prison each. They are now on trial in Moscow for new Yukos-related charges that could lead to sentences of 15 years or more. The case is being watched as a test of President Dmitry Medvedev's pledges to strengthen the rule of law and judicial independence.

The Presidium of Russia's Supreme Court said Wednesday that the initial decision to keep Mr. Lebedev, one of Yukos's main shareholders, in jail before his trial was illegal. Lawyers said the top court's decision was essentially dictated by a 2007 ruling of the European Court of Human Rights in Strasbourg, which said Russia violated Mr. Lebedev's rights in its handling of his pre-trial detention.

Russia is bound by treaty to honor the Strasbourg court's rulings, which in recent years have frequently come against the Russian government.

The prosecutor at Wednesday's hearing had asked the top Russian court not to strike down lower Russian court rulings that upheld the arrest, requesting instead a nonbinding finding against the officials who had been involved in the cases. Prosecutors declined to comment on the ruling, beyond saying that it won't lead to Mr. Lebedev's release.

Mr. Lebedev's defense lawyers said they will consider using the ruling to challenge other elements of the case. But they said they don't see signs of any major shift in the way Russian courts are approaching the Yukos case.

"They're fulfilling their obligations as written in the law, and with an 18-month delay," said Elena Liptser, Mr. Lebedev's defense lawyer.

Wednesday's hearing was called with relatively short notice, lawyers said. Some observers said it could have been timed for the Wednesday visit of Thorbjorn Jagland, the secretary general of the Council of Europe, the umbrella organization for the treaty that is the basis of the Strasbourg court's authority. A Supreme Court spokesman declined to comment on the timing.

Several other Yukos-related cases are still pending there, including a parallel complaint against the Oct. 2003 jailing of Mr. Khodorkovsky, as well as challenges of the 2005 convictions. Rulings in some are expected in the next few months.

The current criminal case against Messrs. Khodorkovsky and Lebedev is being handled with closer attention to court procedure than the first case, according to lawyers in Russia who are tracking it, possibly to reduce the risk of future appeals to the Strasbourg court.

WEALTH

# Asia's investing agenda

## What you and your personal-finance adviser will be talking about in 2010

So you didn't call the financial crisis until it was already decimating your portfolio? You weren't alone. But did you get anything else right in 2009? Soaring gold? Equities coming out fighting? The power of the yen? More important, do you know what to look out for in the erratic world of modern-day investing? To help, The Wall Street Journal's reporters spoke to experts across the region. In their own words, this is what to expect in 2010.

## *The wealth management leader*

Despite the significant rebound in the stock and bond markets in 2009, a big proportion of Asian money is still in cash, says Bruno Lee, HSBC's Asia-Pacific head of wealth management. But as investors look for more bang for their investing dollars in 2010, they need to stay realistic and patient about potential returns in the face of continuing uncertainty about government policy and corporate earnings, he says.

Investors who have made a very good return in 2009 "should consider profit-taking or actively rebalancing their portfolio to protect their wealth from any unexpected shocks," Mr. Lee adds. "Buying-at-dip and a regular investment plan would still be a wise strategy for those who want to position for recovery in 2010."

Mr. Lee expects Asia's retail investors to stick to basic investment products—direct stock and bond holdings as well as mutual funds—while regaining some appetite for more complex structured investments. He advises that investors who have focused on emerging equity markets over the past 12 months shouldn't ignore opportunities in traditional markets, particularly the U.S. "Once there are more solid signs of recovery in the global markets, we may see some profit-taking in emerging markets and some fund flows back into these developed markets," he says.

*—Duncan Mavin*

## *The economist*

China's GDP growth rate is expected to reach 10% in the first half of 2010, but that doesn't mean the country's policy makers will be taking it easy.

"Inflation expectations are at their highest since 2006, and will worsen further as food, [property] rental, and water prices rise," says Ben Simpfendorfer, chief China economist with the Royal Bank of Scotland. "[The Chinese government] has been reluctant to tighten policy before the global economy returns to a solid footing. But it may not have a choice."

Investors take note: there is "compelling logic" for a rate hike from the government to avoid the worsening risks of an asset-price bubble, Mr. Simpfendorfer says.

"The real-estate sector, in particular, is playing an increasingly bigger role in driving GDP growth, and cannot be allowed to grow imbalanced," he adds.

The RBS economist also expects Beijing will be forced to allow the yuan to appreciate in the face of worsening protectionist sentiment in Brussels, Washington, and the developing world.

*—Duncan Mavin*

## *The bullion dealer*

Remember when gold and other precious metals were boring? Not any more. Gold soared and dipped but mostly soared through 2009, hitting record after record. Barry Wainstein—who heads 300-year old bullion dealer **ScotiaMocatta**—says a tipping point came when the yellow metal struck about $1,050 an ounce, and Asian investors started buying into the upward momentum. Gold's performance in the longer term is questionable. With plenty of turmoil still to be worked out in the global economy in the next 12 months, Mr. Wainstein expects the precious metal's rocky ride has a way to go in the short term too.

The next year "will be all about the central banks, in particular the Fed, exiting their easy money and credit policies. Interest rates will start to rise and the dollar strengthen. Gold will be very volatile. I expect it to spike to new highs, but then end the year lower, as rising rates take the steam out of the enthusiasm for gold."

*—Duncan Mavin*

## *The retail broker*

"How will the [economic]stimulus be taken back?" That will be the big question of 2010, says Anup Bagchi, executive director at **ICICI Securities**. The answer "will impact the interest rates, it will impact the currency rates, it will impact the asset prices," he says.

As central banks around the world withdraw the stimulus they've pumped into the system over the past 15 months, assets like commodities and foreign currency bonds could suffer.

"If the stimulus starts to get withdrawn, the first thing that will collapse will be asset prices," says Mr. Bagchi.

At the same time, the government in India—where the economy is expected to grow at more than 8% for the fiscal year ended in March—will have to tackle rising fiscal deficit and higher food inflation.

One way it could do that is by raising taxes on the industries that are growing rapidly now, such as automobiles, and leave alone weaker industries.

Meanwhile, India's central bank might have to raise short-term interest rates partly to curb inflation.

"It will be a tightrope walk" to maintain growth, says Mr. Bagchi.

*—Shefali Anand*

Clockwise from top left: Bruno Lee; Ben Simpfendorfer; Scotia Capital; Bloomberg News; ICIC

## *The veteran banker*

Where to be in 2010? "Overweight Asia on a strategic and on a tactical basis," says Ken Courtis, a senior investment banker in the region for more than two decades. "Three years into the crisis, we still do not know much about the course ahead. What we do know, however, is that the crisis has dramatically accelerated the long-term, secular shift to Asia. Focus on the consumer, energy, materials, the emerging Asian environment plays."

The former Asia economist for **Deutsche Bank** and vice-chairman of Goldman Sachs Asia cites Japan as the obvious big exception to his bullish Asia forecast. "Japan is locked in a deep, dark, debilitating dead end. The brightest option ahead is for Japan to embrace China. Imagine, Japanese technology and Chinese production costs."

With many ups and downs yet to come, wise investors will keep a buffer in their portfolio. "Keep some cash dry," says Mr. Courtis "This will be a bumpy ride."

*—Duncan Mavin*

WEALTH

# Luxury lives on in Asia

*Where Asia will spend that hard-earned cash in 2010*

So much for the recession. The glitz may have been toned down by the financial crisis, but Asia's luxury lifestyle sector hardly paused for breath. To find out what's in store in 2010, The Wall Street Journal consulted with the region's finery experts.

## Cuisine

Paul Pairet made his name on Asia's fine dining scene cooking up unique and avant-garde dishes at the Shanghai Shangri-La's stunning Jade on 36. But he's looking for something more straightforward in 2010.

"I'd love that food trends should incorporate honesty as a core value," says the Frenchman, pictured above. "An honest pizza, or honest fine dining with an honest style and honest creativity."

It is little more than a year since the multi-award-winning Mr. Pairet decamped across Shanghai to open his own restaurant, Mr. & Mrs. Bund, trumpeting a more "democratic" and less stuffy approach to fine dining in Asia—think modern French cooking over molecular gastronomy. Perhaps no surprise then that for 2010, the French master forecasts that "smart-ass" Asian-fusion cuisine will finally start to grow up, while "bio sustainable," "back to basics" and "homemade" will be watchwords on the lips of upscale diners across the region.

*—Duncan Mavin*

## Cars

Luxury auto owners are used to demanding their new purchase be just so. But in tough economic climes, Japanese car dealer Cornes & Co. is touting a different kind of tailored service—low interest loans and other payment options the company hopes will boost sales of its new-for-2010 Maserati Gran Cabrio, pictured below.

"You may find better conditions for a purchase you've always wanted to make," says Toshiyuki Kamoshita, chief operating officer of the company's Maserati division.

Of course, there can be no short-cuts when it comes to the car itself. Ferrari's Japan chief Marco Mattiacci says luxury auto buyers expect the highest levels of design and specification—including, on the new 458 Italia, a 7-speed gear box and an engine that can get the sleek machine zipping along at over 320 kilometers per hour.

High-end customers "recognize the true value of goods and services that are more special and tailor-made to accommodate their needs and desires," says Mr. Mattiacci. The latest in a vast array of options on offer to customers of Ferrari Japan – driving lessons from professional racers.

*—Juro Osawa*

## Travel

The cutting-edge luxury traveler has lost interest in "gimmicks or contrived elements," says Adrian Zecha, chairman of exclusive vacation group **Aman Resorts**. Instead, this traveler wants "very good, old-fashioned service." Mr. Zecha should know: his lifelong passion, and his business, has been founded on discretion, attention to detail and providing the highest levels of service to guests at the Aman resorts—on a private island in the Philippines, in a French colonial building in Laos' Luang Prabang, in a hidden Chinese valley (like the Amanfayun resort—pictured—opening next month), throughout Asia and beyond.

For 2010, Mr. Zecha says the most luxurious end of the travel market will seek out "new destinations and uncharted experiences," away from crowded tourist traps.

"The search for new places to experience is endless and there will be an increasing interest in what today would be considered unknown or little-known destinations," Mr. Zecha says.

*—Duncan Mavin*

## Wine

The old stories about wealthy Chinese wine drinkers adding Coke to their Burgundy are looking very tired these days. Since Hong Kong exempted wine duty in 2008, the city's fine wine auctions have taken flight and wine cellars catering to serious oenophiles from Hong Kong and mainland China have sprung up across the territory.

Daniel Lam, a wine expert at Bonhams in Hong Kong, expects the next 12 months will see Chinese buyers continue to develop an interest in a wider range of wines—extremely rare Champagne, German sweet wine and port from Portugal—as well as a more mature palate.

"For 2010, we still see Bordeaux, and in particular their recent top vintages, as good investments and maintaining their popularity. But the more adventurous collector will be pleased to see more world-class fine wines from Italy, Germany, Spain or even Australia being introduced in Hong Kong auctions and at retail," says Mr. Lam.

*—Duncan Mavin*

## Yachts

Asia's top-end yacht owners are looking to travel farther, in bigger and more luxurious boats. "It's a natural evolution," says Thierry Barot, a broker of luxury and racing yachts based in Hong Kong, and skipper of Team China in the 2009 Extreme Sailing Series Asia. Yacht buyers in Europe and North America battened down the hatches at the height of the financial crisis last year. But wealthy Asian yachting enthusiasts took an opportunity to buy top-end yachts—worth tens of millions of dollars and fitted with plasma televisions, underwater cameras, and Bose stereo systems—at discounts of up to 60%, says Mr. Barot. Now, Asian yacht owners with a taste for the most spectacular vessels are pushing the limits of their hobby. "I'm working on a 42-meter catamaran for a client. It can sail from Hong Kong to Japan and even Australia in less than two weeks." A yacht that size, with four double cabins and a crew of six, including a chef, could set you back as much as $120 million. But don't think of it as a weekend plaything. "It's like a luxury villa you can sail to other places," says Mr. Barot.

*—Duncan Mavin*

## Fashion

After the financial crisis in late 2008, high-end professionals spent the next 12 months eschewing all manner of fashion risk—preferring the classic styles and neutral tones of dependable designers, such as **Armani** or Hugo Boss. But in 2010, fashion mavens are predicting a return to the feminine look. This includes draped blouses, ornamentation and fabrics that have succumbed to pleating, puckering and other ruching techniques.

"There's a lot more going on with the fabric rather than the clean-line silhouette," says Michelle Sterling, founder of Global Image Group, a style consultant to corporations and rich professionals in Hong Kong, Dubai, Sydney, New York and other major cities around the world.

More whimsical items, such as dressed-up shorts and menswear-inspired dresses—essentially, buttoned-down shirt dresses—are also likely hits for next year. Expect to see even more big-ticket items like luxury handbags of Gucci and Louis Vuitton too, especially in the wealthy pockets of Asia, such as Hong Kong and Singapore. "The thing about these Asian cities is that consumer spending is not as low as it is now in other parts of the world. People want brand names here," Ms. Sterling says. Male clients are advised to stick with classic designer suits, perhaps accented with a flashy luxury brand watch that telegraphs the wearer's status.

*— Laura Santini*

Clockwise from top: Scott Wright; Aman Resorts; Agence France-Presse/Getty Images; Phi from Lane Crawford; Maserati.

Margherita Stancati/The Wall Street Journal

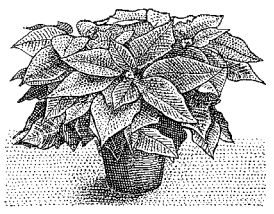
Portici Mayor Vincenzo Cuomo banned stores' displays of Christmas decorations as part of battle against the mob.

# Italian town puts the holidays on ice

*Portici's mayor takes on the mob for making a fortune selling decorations to shopkeepers; got a permit for that wreath?*

**By Stacy Meichtry And Margherita Stancati**
*Portici, Italy*

AS CHRISTMAS approaches, cities and towns across Italy are getting dolled up with decorations. Not the town of Portici. Nestled in the shadow of Mount Vesuvius, near the busy port of Naples, Portici is chock-full of Catholic faithful who will pile into local churches for Christmas Mass. But those who dare deck their streets and storefronts with boughs of holly risk running afoul of the law.



For the rest of the year, police will patrol the streets of Portici on the lookout for Christmas lights, wreaths, trees, red welcome mats or any other decorations that could be construed as expressions of holiday cheer. Decor that is publicly displayed outside shop windows, storefronts or sidewalks is now "subject to immediate removal and the payment of fines by transgressors," according to an ordinance freshly issued by Portici Mayor Vincenzo Cuomo.

The crackdown on tinsel, Mr. Cuomo says, is the latest front in his battle against the Camorra, the Naples-based mob known for its brutality and economic savvy.

When the Christmas season comes around—and holiday shopping picks up—the town sees a spike in payments of the *pizzo*, or protection money.

The "pizzo di Natale," as Christmas-time payments are called, is commonly carried out through the forced sale of overpriced decorations—from Advent calendars to poinsettias—by the Camorra to shopkeepers. This year, the few shopkeepers who insist on hanging decorations outside their shops, hoping to lure customers into their stores, need exemptions from the mayor's office. Shopkeepers also face random checks by police demanding receipts showing the tinsel has been legitimately purchased.

Banning decorations, Mr. Cuomo says, hits the Camorra where it hurts. "To kill the bull, we cut off its head," he says, leaning back into a leather armchair, the glint of a gold chain necklace peeking through his open collar.

In return for his efforts, the 45-year-old mayor says, he has received several death threats from the Camorra. After he was elected to his second term in June, an envelope arrived at Mr. Cuomo's home that was opened by his teenage daughter. Inside was a discharged bullet.

"Stuff like this happens. It's normal," says Mr. Cuomo, who doesn't have a bodyguard but is required to keep police informed of his movements.

With roots dating to the turn of the 18th century, the Camorra, a syndicate of loosely affiliated crime clans, has long exerted control over Naples by providing basic services, such as trash collection, that rickety local governments couldn't handle.

In the 1990s, Portici was engulfed in a bloody turf war between two local clans that led to 20 killings. While the town itself is now enjoying relative calm, the crime syndicate's workaday extortion business is thriving, say local officials. Camorra members go store to store demanding monthly payments; shopkeepers who refuse to pay have faced vandalism and, in some cases, the torching of their stores, according to police and shopkeepers. Camorra members couldn't be located for comment.

Portici is one of Europe's most densely populated areas, with more than 60,000 people and 2,000 shops. Authorities estimate that the Camorra squeezes as much as €3 million ($4.3 million) every year out of shopkeepers here, with the holiday pizzo accounting for a large slice of that revenue.

Come Christmas, the Camorra stocks up on cheap decorations and sells them to shopkeepers at inflated rates, according to Portici Police Chief Gennaro Sallusto. Some shopkeepers come under pressure to pay up to €200 for strips of red velvet carpet traditionally pasted along sidewalks as welcome mats.

For years, shopkeepers remained silent about the holiday shakedown. Mr. Cuomo recalls strolling on sidewalks lined with mats, unaware of their illicit origins. But a few years ago, says Mr. Cuomo, some store owners let him in on the secret.

One of these owners, Sergio Vigilante, used to have a clothing store, and over his 25 years in business says he paid hundreds of thousands of euros in pizzo. Every December, Camorra foot soldiers would enter his store, he says, bearing red velvet mats to decorate his sidewalk. "They'd call it a Christmas gift. From me to imprisoned mobsters," Mr. Vigilante recalls.

Two years ago, Mr. Cuomo rolled out his first ordinance barring all shops from hanging Christmas decorations without authorization from the city. Police began fanning out across town, fining stores that failed to comply with the ban as much as €500 and, in some cases, temporarily shutting them down.

"At first there was, not a rebellion, but a lack of comprehension" over the ban, says Mr. Sallusto, the police chief. After a handful of shops were shut down, however, the message sunk in and the decorations disappeared. This season, seven units are posted around town, scouring for tinsel.

The dimming of Portici's Christmas twinkle has put a damper on a town already smarting from the economic downturn, says the Rev. Giorgio Pisano, a priest who runs one of the town's Roman Catholic parishes. But Father Pisano, who counsels victims of Camorra extortion and usury, says authorities have to fight the Camorra. "Our problems go deeper than Christmas lights," he says.

On the streets of Portici, the mere mention of Christmas decorations puts shopkeepers on edge. Caught between the Camorra and the hand of the law, most merchants would only discuss the matter in hushed tones and under a veil of anonymity. A garrulous bartender went quiet when conversation around his counter turned to tinsel.

"You'll have to talk to the boss about that...and that's not a good idea," he said.

A florist said he isn't under the sway of the Camorra, but declined to give his name. The source of his anxiety, he said, was the neat row of crimson poinsettias—known in Italian as *Stelle di Natale*, or "Christmas Stars"—blooming just outside his shop. "They violate the ordinance," he said, adding: "So far, my shop hasn't been shut down, but I know others that have."

Very few shopkeepers were likely to defy the ordinance, says Enzo Gaudino, a cafe owner, because the mayor "knows everything about everyone."

Mr. Gaudino gestured proudly toward a series of empty metal hooks protruding from his shop's stone facade. There, he plans to hang artificial Christmas trees, having received approval from the mayor's office. The same couldn't be said for his neighbors.

"So barren," he said, casting a forlorn gaze down the rest of the boulevard. "Christmas like this is a bit sad."

There is a bit of twinkle left in Portici. Up and down the Via Leonardo da Vinci, the town's main shopping district, lights arch over the street in the form of sparkling globes the size of beach balls. The decorations, commissioned by the district's shopkeepers association, were rented from a Portici-based company that has undergone police checks to make sure it is free of Camorra links. The city and shopkeepers shared the cost.

The Camorra, meanwhile, has continued to express its displeasure with the mayor. Two months ago, one of Mr. Cuomo's aides received another bullet in the mail, sent by the Camorra, say police, and intended for the mayor. This time the round came from an AK-47.

# In Hoc Anno Domini

When Saul of Tarsus set out on his journey to Damascus the whole of the known world lay in bondage. There was one state, and it was Rome. There was one master for it all, and he was Tiberius Caesar.

Everywhere there was civil order, for the arm of the Roman law was long. Everywhere there was stability, in government and in society, for the centurions saw that it was so.

But everywhere there was something else, too. There was oppression—for those who were not the friends of Tiberius Caesar. There was the tax gatherer to take the grain from the fields and the flax from the spindle to feed the legions or to fill the hungry treasury from which divine Caesar gave largess to the people. There was the impressor to find recruits for the circuses. There were executioners to quiet those whom the Emperor proscribed. What was a man for but to serve Caesar?

There was the persecution of men who dared think differently, who heard strange voices or read strange manuscripts. There was enslavement of men whose tribes came not from Rome, disdain for those who did not have the familiar visage. And most of all, there was everywhere a contempt for human life. What, to the strong, was one man more or less in a crowded world?

Then, of a sudden, there was a light in the world, and a man from Galilee saying, Render unto Caesar the things which are Caesar's and unto God the things that are God's.

And the voice from Galilee, which would defy Caesar, offered a new Kingdom in which each man could walk upright and bow to none but his God. Inasmuch as ye have done it unto one of the least of these my brethren, ye have done it unto me. And he sent this gospel of the Kingdom of Man into the uttermost ends of the earth.

So the light came into the world and the men who lived in darkness were afraid, and they tried to lower a curtain so that man would still believe salvation lay with the leaders.

But it came to pass for a while in divers places that the truth did set man free, although the men of darkness were offended and they tried to put out the light. The voice said, Haste ye. Walk while you have the light, lest darkness come upon you, for he that walketh in darkness knoweth not whither he goeth.

Along the road to Damascus the light shone brightly. But afterward Paul of Tarsus, too, was sore afraid. He feared that other Caesars, other prophets, might one day persuade men that man was nothing save a servant unto them, that men might yield up their birthright from God for pottage and walk no more in freedom.

Then might it come to pass that darkness would settle again over the lands and there would be a burning of books and men would think only of what they should eat and what they should wear, and would give heed only to new Caesars and to false prophets. Then might it come to pass that men would not look upward to see even a winter's star in the East, and once more, there would be no light at all in the darkness.

And so Paul, the apostle of the Son of Man, spoke to his brethren, the Galatians, the words he would have us remember afterward in each of the years of his Lord:

Stand fast therefore in the liberty wherewith Christ has made us free and be not entangled again with the yoke of bondage.

*This editorial was written in 1949 by the late Vermont Royster and has been published annually since.*

# China's Secretary General Steals Christmas

Chinese leader Hu Jintao is putting Christmas to the most cynical use imaginable: jailing a prominent dissident on a day when many of the world's media and government workers will be at home with their families. While millions of Christians are commemorating the day "grace and truth" became incarnate in Bethlehem, Liu Xiaobo will be sentenced for speaking truth to communist power. This callous exploitation of Christmas should inspire freedom-loving people, whether Christian or not, to keep Mr. Liu and his family in their thoughts over the holiday.

Mr. Liu, a drafter of the Charter 08 manifesto a year ago calling for political reform, is so far the only one of more than 8,000 signatories to be arrested and tried for subversion. So it's significant that his trial comes in the midst of an intensifying crackdown on all forms of dissent. Mr. Liu was subjected to a two hour "trial" yesterday—his wife, chosen lawyer and outside observers were excluded—and the verdict is due to be announced on Friday morning.

Why pin the title of grinch, that fictional villain who steals Christmas, on the secretary general of the Chinese Communist Party? For one thing, we know the decision on the sentencing of a dissident of Mr. Liu's importance is made at the Politburo level. After Mr. Lei had been in detention for a year, his indictment was rushed through in early December to make a Christmas trial possible, as has been done with other dissidents. This holiday season the world should foil Mr. Hu's plan by condemning this sham trial and calling again for Mr. Liu's release.

# The Price of 'History'

Blanche Lincoln and Evan Bayh must feel like saps. The Arkansas and Indiana Democrats spent months caterwauling about this or that provision in the Senate health-care bill, then at 1 a.m. Monday they voted to speed its passage without getting so much as a lousy T-shirt.

In Harry Reid's Senate, this qualifies as dereliction of duty, as the Majority Leader said himself on Monday in defense of his frantic deal-making to get 60 votes. "I don't know if there is a Senator that doesn't have something in this bill that was important to them," Mr. Reid said at a press conference that offered an unintentional commentary on modern democracy. "And if they don't have something in it important to them, then it doesn't speak well of them."

James Madison, phone home.

Truth be told, even Tom DeLay must be jealous of Mr. Reid's handiwork. We summarize some of his most notorious political payoffs nearby, including the legendary $300 million "Louisiana Purchase" for Mary Landrieu, and $100 million for Chris Dodd's favorite Connecticut hospital.

But special attention should go to Senator Ben Nelson, who played hard-to-get the longest and in return for being the 60th vote won an exemption for Nebraska from paying any of the additional costs for the bill's Medicaid expansion, which is worth $100 million. He also won millions of dollars of exemptions from the $6.7 billion in health-insurance fees for Nebraska-based companies like Mutual of Omaha.

At first, Mr. Nelson defended his Medicaid buy-off as a service to his constituents, two-thirds of whom tell pollsters they oppose the overall bill. But the lucre was denounced by Nebraska Governor Dave Heineman and Republican Senator Mike Johanns. "Nebraskans don't want a special deal," said Mr. Johanns. "The special deal for Nevada was wrong, the carve-outs for Louisiana, Vermont and Massachusetts are wrong, and the same applies to the backroom deal for Nebraska . . . If the bill cannot pass without carve-outs, what further evidence is needed that it is bad policy?"

But Iowa Democrat Tom Harkin replied that Mr. Nelson's Cornhusker kickback was merely an example all 50 states will soon follow. And, sure enough, Mr. Nelson admitted Tuesday amid a defensive near-meltdown on the Senate floor that "Three Senators came up to me just now on the [Senate] floor and said, 'Now we understand what you did. We'll be seeking this funding too.'" Mr. Nelson now says "it's not a special deal for Nebraska. It is in fact an opportunity to get rid of an unfunded federal mandate."

You have to admire his political dexterity. But if having the feds pay for these Medicaid expansions is such a great idea, then why wasn't that part of the original bill? Answer: The $30 billion cost would be too high for all 50 states and would make the bill look even more expensive than it is, but as a bribe to buy off one or two Senators, it's acceptable. The other states will have to get theirs later, after the Reid bill has been passed under the fantastical ruse that it is "deficit-neutral." Taxpayers nationwide will pay sooner or later.

Meanwhile, the Reid bill's fine print also solves the mystery of Florida Senator Bill Nelson, who is no relation to Ben but is just as crafty. How could a Florida Democrat, who has built his career denouncing Medicare "cuts," vote for a bill that pays for a new entitlement for younger Americans by taking more than $400 billion from health-care for seniors?

His brilliant solution: Include a grandfather clause that exempts Florida seniors who *currently* have Medicare Advantage benefits from losing them. This little beauty is worth $3 billion to $5 billion. (Presumably Arizona, also the home to many retirees, didn't qualify because its two Senators are Republicans.)

This does mean, of course, that if you turn 65 next year and move to Florida and want Medicare Advantage, you don't qualify for the Nelson Advantage. So some seniors will be more equal than others. But at least Mr. Nelson was able to minimize the chance of a major senior revolt against his support for Medicare cuts.

Thus does your United States Senate, the world's greatest nondeliberative deliverer of special-interest favors, practice political medicine. Get used to it. As President Obama likes to say, it's "history" in the making.

### Your Senate at Work

The following are examples of special provisions added to the Senate health-care bill, some at the last minute, to win 60 votes to allow the bill to proceed to debate and passage:

**Connecticut:** $100 million for the University of Connecticut medical center.

**Florida:** Grandfather clause that exempts Florida residents from losing Medicare Advantage benefits. Cost: $3 billion to $5 billion.

**Louisiana:** $300 million in Medicaid subsidies to "certain states recovering from a medical disaster" (i.e., Katrina).

**Massachusetts, Vermont:** $500 million and $600 million, respectively, in higher Medicaid reimbursements.

**Michigan:** Exemption from the insurance fee for Michigan Blue Cross/Blue Shield.

**Michigan, Connecticut:** Higher reimbursements for certain hospitals under Medicare.

**Montana, North and South Dakota, Wyoming:** Higher Medicare payments to "frontier" hospitals and doctors.

**Montana:** Medicare coverage for individuals exposed to environmental health hazards in or around Libby, an asbestos superfund site.

**Nebraska:** Exemption from the insurance fee for Nebraska Blue Cross/Blue Shield and Mutual of Omaha; and 100% federal payment for new Medicaid coverage, at a cost of $100 million.

**Vermont:** $10 million for community health-care centers.

Source: Senate Finance Committee

OPINION

# Citigroup Untarped

[ Business World ]

By Holman W. Jenkins, Jr.

Once again Citigroup looks like the sad sack of the bunch as banks exit TARP, thanks to its poorly orchestrated capital raising and the government's abortive attempt to sell down its own stake last week. But it pays to remember what a bad idea TARP capital injections were in the first place.

The nature of the problem was first apparent, ironically, in the rush of healthy banks to join Citi and friends under the so-called Troubled Asset Relief Program, fearing the lack of an imprimatur as a bank Washington had decided would not "fail."

That dynamic ran in reverse last week as banks rushed to pay back TARP money and shed the onus of government support. Bank of America had to be hurried out because Bank of America was looking for a CEO and couldn't find or pay one as long as it was laboring under Washington's populist pay restrictions.

Acknowledging TARP's perverse impact on Bank of America's CEO dilemma, Treasury and FDIC could hardly pretend it wasn't deleterious for Citi and Wells Fargo's ability to run their own businesses. Terms were quickly hammered out to let them escape, too.

Voila, a scheme designed to strengthen confidence in the financial system had become the opposite, in compounding fashion.

In and of itself, of course, there was nothing urgent about returning the government's capital. Warren Buffett, Wells Fargo's biggest shareholder, certainly made it clear he would prefer the bank rely on earnings to rebuild capital rather than selling cheap stock to the public to repay Uncle Sam. Rushing the paybacks only increases pressure on the other wobbly legs of Washington's bailout stool, which include regulatory forbearance (i.e., regulators gaming their own capital standards) and the Fed's loose-money policy, which may not be doing much for job creation but is certainly having a marvelous impact on financial industry profits.

Let's have a moment of realism: Policy toward these giant banks always had as its primary goal saving the government from having to take them over and run them, as it has (wretchedly) AIG. It was to avoid the disaster of nationalization.

Getty Images

Citi CEO Vikram Pandit

Legs one and two (plus the FDIC's guaranteeing of bank debts) were always sufficient to meet this goal and keep the giant banks stumbling along under private management and control. TARP capital injections were not only superfluous but invited the calamity they were meant to avoid, with politicians running rampant in the hallways. Take the cautionary example of Fannie and Freddie, which today are not being "conserved' in federal conservatorship but are being used to prop up home prices. For the banks, exiting TARP at least reduces the risk of similar corruption.

Citi, though, is an especially borderline case. Citi was sued last week by its big investor Abu Dhabi, presumably the Arab state's way of expiating the classic sin of trying to catch a falling knife. Abu Dhabi's "rescue" of Citi with a $7.5 billion investment in late 2007 sent the stock market up 200 points. At the time Hank Paulson had just floated his idea for a "super SIV," a thinly disguised bailout of Citi.

It didn't fly. Abu Dhabi was about three rescues too early. It would take several more attempts by the triumvirate of Mr. Paulson, Tim Geithner and Ben Bernanke before Citi was seemingly stabilized, and by then Abu Dhabi was deeply underwater.

We say "seemingly" stabilized because Citi's floundering exit from TARP last week has destabilized it again. Vikram Pandit, Citi's CEO, is trying to rebuild its business the best he way knows how, i.e. not too different from Citi's previous business. That's presumably why he considers it essential to escape TARP so he can pay Wall Street-style bonuses in competition with Goldman Sachs and Morgan Stanley (and Bank of America and JP Morgan).

Washington chose not to dismantle Citi, so it should have expected no less. Oh well. In a crisis, politicians will look around for businesses "too big to fail," and any conceivable Citi would likely fit the bill, as it has since the 1970s. This problem may not be fixable, but what are fixable are the deeper antecedents of last year's troubles.

Fewer banks would have inflicted such damage on themselves if not for the government's role, eight ways from Sunday, in encouraging Americans to incur housing debt, with direct subsidies, tax incentives and the use of Fannie and Freddie to channel China's surpluses into a U.S. housing boom.

If the word "bubble" has any valence at all, it describes what happens to asset prices when the public believes it has been granted a one-way bet. Sadly, much of the history written in the past 14 months had redounded to the salvation of parties who will be tempted to make the same mistake again.

# The Dark Side Of Enlightenment

[ Bookshelf ]

**Selected Prose of Heinrich von Kleist**
**Translated by Peter Wortsman**
(Archipelago, 283 pages, $15)

By Ian Brunskill

A century ago, a distinguished Austrian scholar observed that Heinrich von Kleist (1777-1811) was "the most difficult problem in literary history" and that the more we learned about him, the more of a problem he became. That state of affairs has not changed.

Kleist's short and mostly unhappy life was a muddle of contradictions. His small dramatic oeuvre ranges disconcertingly wide, from comedy of manners to domestic tragedy, from social realism to gothic fantasy. His prose, of which Peter Wortsman has here collected and translated a welcome new selection, is stranger and more unsettling still. Romantics, Expressionists and Existentialists have all claimed him as an inspiration. Kafka called him a "blood-brother." But Kleist belongs to no literary school and remains, as Thomas Mann observed, in a class uniquely his own. Outside the German-speaking lands, he is all too little read.

Kleist was born in the market town of Frankfurt on the Oder into an aristocratic Prussian family that had produced a long line of distinguished military men. Following tradition, he joined a regiment of the royal foot guards when he was not yet 15. He saw action against the French, but he was quite unsuited to the discipline and monotony of military life. "So many officers, so many drillmasters, so many soldiers, so many slaves," he wrote.

After a few years of service, he left the army and returned to his home town to study philosophy, physics and mathematics at the university. He acquired a reputation as a serious young man, a bit of a loner. Determined to pursue his intellectual development to the full, and guided by some firm though unspecified plan, in his early 20s Kleist embarked on a decade—his last—of anxious, unsettled life: endless travel; civil service; much reading; much ill health; a flaring of Prussian nationalist zeal; a rash attempt to join the French army; brief imprisonment as a suspected spy.

He also founded a short-lived literary journal and a daily paper. He got to know, and managed to alienate, the grand old men of German letters, Johann Wolfgang von Goethe and Christoph Martin Wieland. The literary Romantics—including Achim von Arnim, Clemens Brentano and the brothers Grimm—liked him, even revered him. An awkward, anguished soul, he might have stepped from the pages of one of their works.

Through it all Kleist wrote, though to no very wide acclaim: essays, anecdotes, shorts stories, plays. Then, on Nov. 21, 1811, at around four in the afternoon, on a small hill by the shore of the Wannsee lake just outside Berlin, having first shot dead a woman called Henrietta Vogel, who was the wife of an acquaintance and who, in the subsequent autopsy, would be found to have been suffering from incurable cancer, he placed a pistol in his mouth and killed himself. He was 34.

**A short life, an anguished soul, a strange and compelling writer.**

Kleist in his youth had espoused with enthusiasm all the optimism of the Enlightenment. Reason would conquer all; happiness would come with experience and understanding. In March 1801, however, by his own account, he seems to have encountered the thought of Immanuel Kant (it is not clear what precisely he read), and his world fell apart. By testing the nature and limits of human knowledge, Kant had sought primarily to establish the possibility of a meaningful metaphysics. To Kleist, however, it was much grimmer than that: Kant had shown, he believed, that empirical knowledge was unreliable, reason illusory, truth unattainable and life quite meaningless. "My sole and highest goal has vanished," he wrote. "Now I have none."

It was an extreme overreaction, not to mention a misreading of Kant's philosophy, but Kleist was like that. The universe inhabited by the characters in his works is bleak and bizarre—as "Selected Prose of Heinrich von Kleist" reminds us. In his essay "On the Theater of Marionettes," an ironic, fictionalized dialogue, Kleist consider's Man's fall from Eden and asks whether human self-consciousness is less a blessing than a curse. The characters in his works, particularly in his extraordinary short stories, try to make sense of a senseless world, to behave rationally in the face of madness, to act with purpose while at the mercy of cruel chance.

In "Michael Kohlhaas," the eponymous protagonist is a wronged horse dealer who pursues justice to the point of death. In "The Marquise of O," a virtuous widow who finds herself inexplicably pregnant seeks the truth quite heedless of her own disgrace. (In the mid-1970s, Eric Rohmer made this story into a compelling film.) Fate, for the lovers in "The Earthquake in Chile," is utterly malign. Religious faith, for the iconoclasts in "Saint Cecilia or the Power of Music," amounts to murderous bigotry. Political principle, amid the racial strife of the Haitian revolution in "The Betrothal in Santo Domingo," is a cloak for primal violence.Recounting these horrors, Kleist does not moralize or philosophize. He does not even try to explain.

What makes these dark narratives not just bearable but readable—compelling sometimes, at the unlikeliest moments even funny—is Kleist's extraordinary prose. Exploiting to the full the rigors of German syntax, he uses language to impose order and meaning on a profoundly disordered world. Clause follows clause in a stately, dispassionate procession of appalling events, commas marking time, paragraphs and even single sentences stretching on inexorably for line after line.Catastrophes unfold in a subclause. Idiosyncrasies of word order defer full, terrible understanding to the last possible moment.

English does not lend itself readily to Kleist's syntactical effects. Mr. Wortsman rises to the challenge with relish. He achieves readability while preserving something of the structure and even the rhythm of Kleist's dense yet lucid sentences: no easy task. This curious author's contemporaries must have found his prose almost as odd and involving as it seems to us. Even in his own day, no one wrote quite like Kleist.

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OPINION

# Harry Reid Turns Insurance Into a Public Utility

By Richard A. Epstein

As Harry Reid's 2,000 page health-care bill is being rammed through the Senate, most of the public debate has been focused on its expanded coverage, its now defunct public option, and its high taxes. Lost in the shuffle has been its intensely coercive requirements on health insurance issuers, especially in the individual and small group markets. Taken together, these restrictions are likely to drive them out of business and run afoul of the constitutional guarantee that all regulated industries have to a reasonable, risk-adjusted, rate of return on their invested capital.

The perils of the Reid bill are made evident in a recent Congressional Budget Office (CBO) report that focused on the bill's rebate program, which holds that once an insurance company spends more than 10% of its revenues on administrative expenses, its customers are entitled to an indefinite statutory rebate determined by state regulatory authorities subject to oversight by the Secretary of Health and Human Services. Defining these administrative costs is a royal headache, but everyone agrees that they are heaviest in the small group and individual markets, where they typically range between 25% and 30%, without the new regulatory hassles.

The CBO concluded that this one restriction turned the Reid bill into "an essentially governmental program." In other words, the targeted health insurers would become de facto public utilities whose profits are gutted when the huge compliance costs under the Reid bill are piled on top of the hefty costs inherent in running a labor intensive health-care insurance business.

Worse still, the statutory rebate is only the tip of a larger regulatory iceberg that permeates the bill. Normally, insurers have the power to underwrite—to choose their line of business, to select and to price risks, and to decline unattractive risks. Not under the Reid bill. In its frantic effort to expand coverage to the uninsured, the bill will create state health-care exchanges supported by generous federal subsidies to unspecified millions of needy and low-income individuals. Any health insurance carrier that steers clear of these exchanges cannot keep its customers. Any insurance carrier that enters Mr. Reid's inferno will lose its financial shirt.

**The health bill creates a massive cash crunch and then bankruptcies for many insurers.**

Here are some reasons why. Initially, all insurers have to take all comers and to renew all policies except for nonpayment of premiums. Insurers are not allowed to take into account differential risks based on pre-existing conditions. And the premium differentials based on such matters as age and tobacco use are smaller than the market spreads. If too many customers demand coverage from a given insurer to insure efficiently, it's the government that will decide how many they have to keep and who they are.

Next, it's the government that requires extensive coverage including "ambulatory patient services, emergency services, hospitalization, maternity and newborn care, mental health and substance abuse disorder services, prescription drugs, rehabilitative and habilitative [sic!] services and devices, laboratory services, preventive and wellness services and chronic disease management, pediatric services, including oral and vision care." The price squeeze gets even tighter because in every required area of care a collection of government standards will help set the minimum level of required services.

Ostensibly, the Reid bill does not impose any direct price controls on what health insurers can charge for this veritable cornucopia of services. But the bill's complex, cooperative federalism scheme authorizes state regulators, after recommendations from the federal government, to exclude insurers from the exchanges if their prices are too high, which would again be a competitive death knell. Exile from the exchange does not, however, restore traditional underwriting controls, as the Reid bill and other federal and state regulation continue to apply to these firms.

One common talking point of proponents of the Reid bill is that competitive markets don't really do a very good job of reining in costs. Now that the option has vanished, the alternative regulatory technique is brute regulatory force. The argument seems to be that price controls alone can force out the waste and inefficiency that are posited to be the hallmark of private markets.

By this twisted logic, rent control is the perfect path to efficient competitive markets. Unfortunately, here no insurer can simply cut back on services provided given the minimum standards. And if it raises rates, the rebates cut ever more deeply during the next period. So essentially, there is no viable option for these firms either on the state exchange or off it.

*Harry Reid*

The economic chaos that is likely to follow the disruption of private insurance health-care markets draws no attention from its Democratic supporters. Perhaps that indifference will end if the Supreme Court takes a hard look at this new adventure into rate regulation. Traditional public utility regulation applies to such services as gas, electric and water, which were supplied by natural monopolists. Left unregulated, they could charge excessive or discriminatory prices. The constitutional art of rate regulation sought to keep monopolists at competitive rates of return.

To control against the risk of confiscatory rates, the Supreme Court also required the state regulator to allow each firm to obtain a market rate of return on its invested capital, taking into account the inherent riskiness of the venture. The orthodox legal approach was summed up in Justice William Rehnquist's unanimous 1989 decision in *Duquesne Light v. Barasch*. *Duquesne Light* allowed the state regulators a wide choice of methods so long as the "bottom line" secured the appropriate rate of return.

*Duquesne Light* carries extra weight here because health-insurance industries are far from natural monopolies, so that regulating their rates calls for an extra dollop of judicial scrutiny. At this point, the Reid bill is on a collision course with the Constitution. I take it for granted that, constitutionally, the federal government could not just require all private health insurers to liquidate tomorrow, without compensation.

What's done here is a close second. The inexorable squeeze between the constricted revenue sources allowable that insurers get under the Reid bill and the extensive and uncertain new legal obligations it imposes is likely to result in a massive cash-flow crunch that will drive the firms in the individual and small-group health insurance markets into speedy bankruptcy. The Supreme Court should apply the constitutional brakes to this foolhardy scheme if Congress doesn't come to its senses first.

*Mr. Epstein is a professor of law at the University of Chicago and a senior fellow at the Hoover Institution. This article is based on a longer study released by the Manhattan Institute at www.medicalprogresstoday.com.*

# Good Science, Bad Politics

By Hans von Storch

"Frankly, he's an odd individual," a well-known climatologist wrote about me in a private e-mail to a friend in the U.K. On this, we agree—I am an odd individual, if by that we mean a climatologist whose e-mails would not document a contempt for such basic scientific virtues such as openness, falsifiability, replicability and independent review.

The colleague is a member of the CRU cartel—the influential network of researchers at the University of East Anglia's Climatic Research Unit and their colleagues in the U.S.—whose sanctum was exposed last month when a whistleblower or hacker published e-mails and documents from the CRU server on the Internet. What we can now see is a concerted effort to emphasize scientific results that are useful to a political agenda by blocking papers in the purportedly independent review process and skewing the assessments of the U.N.'s Intergovernmental Panel on Climate Change (IPCC). The effort has not been so successful, but trying was bad enough.

We—society and climate researchers—need to discuss now what constitutes "good science." Some think good science is a societal institution that produces results that serve an ideology.

I do not share that view. For me, good science means generating knowledge through a superior method, the scientific method. The merits of a scientifically constructed result do not depend on its utility for any politician's agenda. Indeed, the utility of my results is not my business, and the contextualization of my results should not depend on my personal preferences. It is up to democratic societies to decide how to use or not use my insights and explanations.

But it seems I am an odd individual for taking this position. As a scientist, I strive for independence from vested interests. I am in the pocket of neither Exxon nor Greenpeace, and for this I come under fire from both sides—the skeptics and the alarmists—who have fiercely opposing views but are otherwise siblings in their methods and contempt.

I am told that I should keep my mouth shut, that criticizing colleagues is not "tactful," and will damage the reputation of science—even when the CRU e-mails have already sunk that ship.

And what of the alarmists' kin, the skeptics? They say these words show that everything was a hoax—not just the historical temperature results in question, but also the warming documented by different groups using thermometer data. They conclude I must have been forced out of my position as chief editor of the journal Climate Research back in 2003 for my allegiance to science over politics. In fact, I left this post on my own, with no outside pressure, because of insufficient quality control on a bad paper—a skeptic's paper, at that. But in 2006 I urged a CRU scientist to make his data public for critics and, yes, skeptics—as documented in one of the stolen e-mails.

**'Climategate' reveals a concerted effort to emphasize scientific results useful to a political agenda.**

We need to repair the damage, and heal the public's new mistrust of the workings of climate science. True, we are in a difficult situation: Climate science is in an abnormal situation, hounded by manifest political and economic interests of different sorts, and the uncertainties in our work are large and unavoidable. Then this abnormal brew forms, with scientists acting as politicians and politicians posturing as scientists.

But the core of the knowledge about man-made climate change is simple and hard to contest. Elevated greenhouse gas concentrations have led, and will continue to lead, to changing weather conditions (climate), in particular to warmer temperatures and changing precipitation. Such a change causes stress for societies and ecosystems. More emissions mean more stress, fewer emissions less. Thus, when society wants to limit this stress, it has to make sure that fewer greenhouse gases enter and remain in the atmosphere. Societies have decided they want to limit the stress so that temperatures rise no further than the politically produced number of two degrees Centigrade, relative to pre-industrial conditions. Fine. For this goal, it does not matter whether the sea level will rise 50 cm or 150 cm by the end of this century, or if hurricanes do or do not become significantly more severe. These are relevant scientific issues, with great importance for the design of adaptive strategies—but not particularly relevant to the political task of coming to an effective agreement on reducing emissions.

What we need to do is open the process. Data must be accessible to adversaries; joint efforts are needed to agree on test procedures to validate, once again, already broadly accepted insights. The authors of the damaging e-mails would be wise to stand back from positions as reviewers and participants in the IPCC process. The journals Nature and Science must review their quality-control measures and selection criteria for papers.

So please, you media, you NGOs and you Mr. Rasmussen: You have the knowledge you need for the political decisions. Let us sit in our studies and discuss the remaining issues, the sea level, the ice sheets, the hurricanes, and other issues. Give us time to consider, to test alternative hypotheses, to falsify theories—to do our work without worrying if the results support your causes. Science is a valuable and unique societal institution, but not if it is consumed by short-sighted political goals.

But, admittedly, I am an odd individual, one who loves *København*—when it is not the "Hopenhagen" for thousands of COP-15 activists, lobbyists, business leaders and politicians.

*Mr. von Storch is director of the Institute for Coastal Research at the GKSS Research Center in Geesthacht, Germany, and a professor at the Meteorological Institute of the University of Hamburg.*

IN DEPTH

# Mexico ramps up drug war with a surge on Rio Grande

*Chaos in Ciudad Juárez has snared nation's army in what may be a no-win situation; 'only God can help us now'*

By José de Córdoba And Joel Millman
*Ciudad Juárez, Mexico*

A FEW WEEKS ago, Army Captain Ramón Velásquez got his introduction to Ciudad Juárez, ground zero in Mexico's war against violent drug cartels. A stocky man with round glasses, Capt. Velásquez led a 10-man patrol in midday traffic on one of the city's major boulevards. Suddenly, gunmen with automatic rifles opened up on a taxi stuck at a traffic light about three blocks away, killing two men and a woman.

Capt. Velásquez scrambled to the site of the killings, where the gunmen had already vanished. He and his men yelled questions at dozens of eyewitnesses: How many killers were there, what kind of car did they drive? "Not one person said a word. Not even what direction they had gone," says Capt. Velásquez, 42. "Executions here happen at any time, at any place. That terrifies the population. They don't trust anybody. And they don't talk."

For two years, the center of Mexico's bloody drug war has been this gritty city of 1.5 million people across the river from El Paso, Texas. Two of Mexico's most powerful gangs are battling for control of the city, a gateway for drugs going to the U.S. as well as a growing local drug market.

In response, President Felipe Calderón has sent 7,000 soldiers and 2,000 federal police to stem the violence—so far, unsuccessfully. In 2008, 1,600 people were killed in drug-related hits. This year, more than 2,500 have died. By some estimates, Juárez's approximately 165 deaths per 100,000 residents make it the murder capital of the world. That compares with 48 violent deaths per 100,000 residents of Baghdad.

The chaos in Ciudad Juárez has snared Mexico's army, the country's most respected institution, in what may be a no-win situation. Even as the violence rises, so do allegations of human-rights abuses by the army. The failure to pacify Ciudad Juárez has put Mr. Calderón's antidrug strategy—based largely on using the military to retake control of the country from drug cartels that have corrupted local police and politicians—on embarrassing public display.

"The assassins have won," says Bernardo Garcia, the white haired owner of a tiny tortilla factory. His brother Refugio, a clothes vendor, was killed two weeks ago as he left a church service with his daughter by a drug gang who wanted to extort him. "Only God can help us now," he says.

Mr. Calderón's war on drug gangs has defined his presidency so far. Within months of his 2006 inauguration, he dispatched the army to states where drug-related violence was on the rise, calling powerful drug cartels a threat to national security. Three years later, some 45,000 troops—about a quarter of the army—patrol areas ranging from Ciudad Juárez to Mr. Calderón's home state of Michoacán.

The conservative has won praise in many quarters, including Washington, for squarely taking on the drug gangs. Mr. Calderón has extradited dozens of traffickers wanted in the U.S. Last week, elite Navy troops killed Arturo Beltrán Leyva, one of Mexico's most powerful drug lords, in a four-hour battle at a luxury condominium complex in the resort city of Cuernavaca. (Late Monday, gunmen murdered several family members of a Navy man who was hailed as a hero after dying in the battle with the drug lord.)

Julian Cardona for The Wall Street Journal

Protesters painted the outline of a human figure to dramatize growing drug violence in Ciudad Juárez. By some estimates, Juárez's approximately 165 deaths per 100,000 residents make it the murder capital of the world.

But in weary Ciudad Juárez, Mr. Calderón is blamed for having gone to war without a comprehensive victory strategy. Since first sending troops to Ciudad Juárez in March 2008, the president has only made two fleeting visits to the city. He hasn't engaged residents on the violence consuming the city. "He stays for two hours and he's gone," says Daniel Murgía, president of the local Chamber of Commerce. "They've left Ciudad Juárez totally alone. There is a total absence of authority."

Mr. Murgía and other business leaders last month called for the United Nations to send peacekeepers to tame the city's violence. Mr. Murgía went further and breached a Mexican taboo when he asked that the U.S. send military police to help. In early December, 3,000 Juárez citizens staged a protest march. Some carried placards asking the army and federal police to leave.

Jorge Tello, Mexico's National Security adviser, says the government has devoted more resources to fighting drugs and violence in Ciudad Juárez than any other place in Mexico. "We are doing everything we can," said Mr. Tello, who travels monthly to the city, but he acknowledges: "We need better results."

Ciudad Juárez has the look and feel of an occupied city. Soldiers, their faces covered with black balaclavas and manning automatic rifles or 50 caliber machine guns, constantly crisscross Ciudad Juárez in open-backed SUVs.

In some ways, Capt. Velásquez and the Mexican army in Ciudad Juárez are in a similar situation to U.S. soldiers when they first occupied Baghdad after ousting Saddam Hussein. The U.S. had overwhelming superiority in troop strength and firepower, but its conventional forces were soon bogged down in a guerrilla war with an enemy that ambushed U.S. troops with devastating results. Lacking good intelligence, the U.S. could neither protect the general Iraqi population nor effectively strike back at its guerrilla tormentors.

While Ciudad Juárez' drug dealers and hit men aren't guerrillas or suicide bombers—largely they are trying to kill each other instead of Mexican soldiers—they do use the hit-and-run tactics of guerrillas, melting back into the population and making it difficult to tell who is who. As in Iraq, ordinary citizens are afraid to provide information to the authorities. On their daily rounds, Capt. Velásquez and his men are also under constant surveillance from young boys working for the drug gangs who inform their bosses of his patrol's every movement.

"There are many people who watch us all the time," says Capt. Velásquez, an artilleryman who, like most soldiers here, is on a two-month rotation. "They control time and place. It's the same rule anywhere: He who knows the terrain has superiority."

Ciudad Juárez's troubles began in January 2008, when Mexico's most notorious drug lord, Joaquín "El Chapo" Guzman, tried to take over the city's drug trade from the local Juárez Cartel, which was itself backed by a cadre of corrupt cops and ex-cops called La Linea, or The Line. Mr. Guzman recruited two local gangs—the Artistic Assassins and the Mexicles—to take on the Aztecas, another gang in the service of the hometown La Linea, according to the city's mayor and other officials.

The confrontation has reshaped life in Ciudad Juárez. At times, hit men from both sides have broken into hospitals to finish off wounded victims, so now, people wounded by assassins are only taken in at three city hospitals which have extra security. Funeral corteges are also targets, so funeral masses are shorter and also have special security.

Drivers in the morning rush hour have sometimes been greeted with the grisly sight of dismembered bodies. One favorite dumping ground is a highway overpass known as the Rotary Bridge in honor of the city's Rotary club. Authorities say women are taking up the assassin's trade, and they can be as cold-blooded as the men. It was a woman who walked up to another woman dropping off a friend at the city's largest hospital and shot her dead two weeks ago in the middle of the day.

The drug gangs have branched out into extortion. On a recent patrol, Capt. Velásquez' convoy stopped at a modest strip mall, where a woman swept out the broken glass from a small restaurant. The previous night, three gunmen in a beat-up Nissan Sentra, who had been demanding protection money, drove by and shot up the place. Extortionists had driven out 14 out of the mall's 18 clients.

The landlord, a lanky, leathery-faced man wearing a blue jean jacket, said he'd cut the restaurant's rent by half, to $350 a month, because the violence has driven many clients away. "Anybody who has any money is leaving for the other side of the border," he said. "You can't live here anymore."

The extortion wave has spread to funeral homes. Last month, an assassin and his driver parked in front of the Funeraria del Refugio, a squat, yellow building on a crowded street. The killer walked in, interrupting a funeral, and locked mourners in the bathroom, yelling that he had come to collect a protection payment. He then executed the funeral home's manager, police and eyewitnesses say. The next day, the men returned and burned down the funeral home.

In March, 2008, soon after the troubles began, Mr. Calderón dispatched 2,000 troops. As the violence rose, he ordered a surge of an additional 5,000 troops and 2,000 federal police in April of this year. Both times, the murder rate fell sharply after the troops arrived. But the drop-off in killings lasted a few weeks. As soon as the drug gangs figured out the new patterns of army and police patrolling, they resumed killing.

Some experts say the Mexican army needs to adopt the style of the counter-insurgency tactics used by the U.S. military in the Iraq war. That strategy got Ameri-

# IN DEPTH

Julian Cardona for The Wall Street Journal (2)

A military unit guards the crime scene after an execution in Ciudad Juárez, Mexico, top. Below, a man earlier this month demands the military and federal police leave the city. The failure to pacify Ciudad Juárez has put President Felipe Calderón's antidrug strategy—based largely on using the military to retake control of the country from drug cartels that have corrupted local police and politicians—on embarrassing public display.

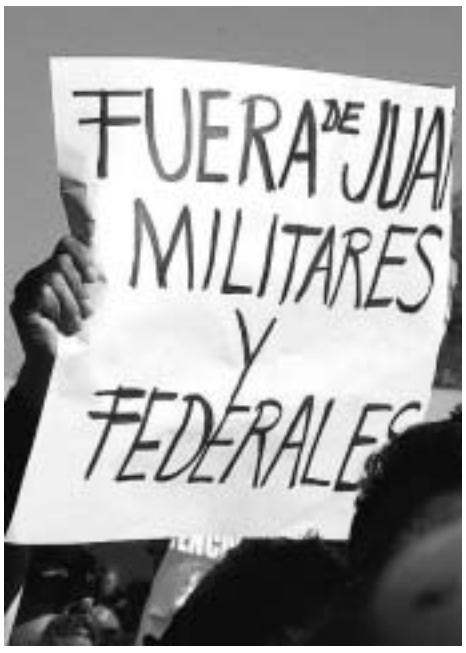
can soldiers out of large bases and forced them to interact with the population and get intelligence. "They have to co-mingle with the locals and find out who's who in the zoo. Find out where the bad guys are, and pre-empt them," says a former U.S. military officer with knowledge of the Mexican army. But, the official says, the Mexican army, which is made up of conscripts, isn't trained on how to interact with the community. The result: a lot of patrolling that's good for show but bad for results.

In Ciudad Juárez, soldiers generally are on patrol or back at a local army base or other temporary housing, including abandoned factory buildings. One reason: the high command fears that contact with the city's drug traffickers could induce desertions to the dark side.

It has happened before. In 1997, about 30 defectors from an elite army unit went to work for the Gulf Cartel. These former soldiers, known as "Zetas," became the Gulf Cartel's enforcers, deploying tactics such as decapitations to terrorize rival cartels and law enforcement.

Manuel Aponte, a former army lieutenant who deserted in 2004, has become the right hand man of Joaquin Guzman, the cartel leader, and is leading the Sinaloa cartel's assault on Ciudad Juárez, according to a recent Mexican intelligence document viewed by The Wall Street Journal.

Soldiers aren't considered to be remotely as corrupt as Mexico's notorious police forces. But the army has a questionable record. A decade ago, Mexico was deeply embarrassed when its newly named drug czar, army Gen. Jesús Gutíerrez Rebollo, was arrested for being in the pay of a drug lord.




The army says it is slowly turning things around in Juárez. In the past year, it has arrested the vast majority of the 5,518 people detained for alleged drug trafficking and weapons violations, according to Enrique Torres, a spokesman for the joint army and police operation.

Two weeks ago, the army held a news conference to display five handcuffed men, whom they introduced as members of the Azteca gang. The five are alleged to have quickly admitted to taking part in or ordering 268 killings. Mr. Torres says the army has arrested 60 people responsible for more than 1,000 killings.

Others in Ciudad Juárez doubt such claims. Mexican authorities, be they army or police, have little capacity to investigate crimes. Many people here believe that the authorities resort to torture or beatings to wring confessions out of suspects. "So what does the army do? They find a guy, and they hang 30 murders on him!" says Hernán Ortiz, a professor and civic activist. "Does anyone believe these cases were investigated?"

Another problem is mounting allegations of human-rights abuses that could hurt the army's image. Since its incursion, the army has been accused not only of beatings and looting homes, but also, in more than 20 cases, of disappearing people and conducting extrajudicial killings.

One such case concerns two brothers, Carlos Guzmán, 28, and José Luis Guzmán, 27. The two worked at a shop run by their father, Javier, that sells everything from old sewing machines to used typewriters. Both sons were detained in a raid by soldiers and federal police on Nov. 14, 2008. A federal police report says the two were detained by the army, which took them to a nearby base. They haven't been seen again.

For a year, the army denied it had anything to do with the case. "We protested, but the army has always denied it took them," says the elder Mr. Guzmán, 56, wearing a baseball cap as he stands by a stack of old radios. But on Dec. 2, Mr. Guzman met with three army lawyers who told him they would investigate.

"They say the last thing that dies is hope," says Mr. Guzman. "But a year has passed and you imagine the worst. Every 15 days I go to the morgue to see if my sons have turned up."

The army largely dismisses complaints of abuses as the work of people allied with drug traffickers who want to drive the soldiers out of the city. "Many times they make human rights complaints because they want to limit our capacity for action and besmirch the institution," says Brigadier General Jesús Hernández Pérez, commander of the 4th Artillery Regiment, and Capt. Velásquez' commanding officer.

Mr. Guzman says he was happy the soldiers had arrived to clean up Ciudad Juárez. "Not all the military are bad," he says. "Some do their job right. But the ones I got were bad."

**WSJ.com**

**Online today:** See photos from Juarez and key dates in Mexico's drug war at **WSJ.com/World**.

FROM PAGE ONE

# Dissident trial in Beijing stirs rights fears

*Continued from first page*

Few observers think the holiday timing of the trial is an accident.

"This is an extremely symbolic trial, and it will be an extremely symbolic sentencing," said Phelim Kine, a researcher for New York-based Human Rights Watch. The verdict "will be designed by the Chinese government to send a strong message to lawyers, to human-rights activists and to civil-society organizers that the heat is not off," he said.

Court officials declined to respond to requests for comment, as did China's ministries of justice, public security and foreign affairs.

Mr. Liu's trial comes amid other moves to tighten already-tough limits on dissent. Authorities have been closing hundreds of Web sites as part of a campaign against what it calls Internet pornography, and last week they formally arrested Zhao Lianhai, who had been organizing families of babies affected by last year's tainted-milk scandal. Mr. Zhao's wife was notified Monday of his arrest, which followed weeks of detention.

Mr. Liu's trial also comes just over a month after U.S. President Barack Obama's visit to China, during which he repeatedly emphasized the importance of "universal" human rights, such as freedom of expression.

The court had said Mr. Liu's trial would be open, but it denied a request by The Wall Street Journal to attend, saying that observation passes already had been distributed. Other international media, as well as foreign diplomats, also were barred from the courtroom.

Associated Press

Liu Xiaobo's supporters stand outside the court where his trial on charges of subversion took place on Wednesday in Beijing.

"We are disappointed not to be able to observe the trial, but we are more concerned by the fact the trial has moved forward," said Susan Stevenson, spokeswoman for the U.S. Embassy in Beijing.

Outside the court building Wednesday, Greg May, first secretary of the U.S. Embassy, called on the Chinese government to release Mr. Liu immediately and "to respect the rights of all Chinese citizens to peacefully express their political views..."

He said the U.S. has raised concerns about Mr. Liu's detention repeatedly and at high levels since he was taken into custody.

Mr. Liu's case has been an international cause célèbre since he was detained last December. An international group of activists and scholars wrote an open letter to Chinese President Hu Jintao protesting his detention. Authorities held him without charge until his formal arrest in June, and denied visits except for a few meetings with his wife.

Meanwhile, the list of online signatories to Charter 08, which initially was signed by 300 intellectuals, has grown to include thousands of Chinese.

Mo Shaoping, a human-rights lawyer who has been acting on Mr. Liu's behalf, was not permitted to represent him at trial because he signed Charter 08. Mr. Shang, part of the team representing Mr. Liu in Mr. Mo's place, declined to comment on details of the proceedings until after the verdict is announced.

Supporters of Mr. Liu in China stood outside the court on Wednesday wearing yellow ribbons, and others posted images of yellow ribbons on the Internet to express their wish to see him released. On Twitter, which is currently blocked within China and which users here must employ technological workarounds to access, Mr. Liu got an outpouring of support from people who replaced their usual digital avatars with yellow ribbons.

### Christmas verdict

**Timeline of Chinese dissident Liu Xiaobo:**

**2008**

**December:** Liu Xiaobo and hundreds of others sign Charter 08, an open letter to President Hu.

**Dec. 8:** Chinese authorities detain Liu.

Liu, file photo from 2002

**2009**

**June 24:** Chinese state-media reports Liu is charged with inciting subversion of state power.

**Dec. 25:** Court expected to announce verdict in Liu's case.

Sources: WSJ reporting; Agence France-Presse/ Getty Images

# Ford moves closer to selling Volvo unit to Geely

*Continued from first page*

The company plans to continue working with Volvo after a sale wouldn't retain a shareholding stake. Top executives at Ford and Volvo declined interview requests Wednesday.

Ford's ability to find a buyer contrasts with the troubles GM has encountered in selling some of its niche brands. It had appeared to find buyers for its Saturn and Saab units but both deals collapsed. GM now plans to shutter Saturn. It is in discussions about reviving a Saab sale to Dutch car maker Spyker Cars NV.

A senior Geely executive who spoke to the Wall Street Journal on Wednesday said the Hangzhou-based auto maker is looking at the possibility of building a Volvo plant in China, describing the city of Tianjin as "a possibility." The executive said Geely would retain Volvo's current management as it gears up to revive the storied but troubled car maker.

In November, a person close to Geely told The Wall Street Journal Geely had developed a turnaround plan that would aim to sell nearly one million vehicles a year, up sharply from about 400,000 vehicles Volvo sold each year in recent years.

That plan, detailed by the person who spoke on condition of anonymity, centers on China but also sets ambitious goals for Volvo's traditional markets of Europe and North America.

Ford named Geely as preferred bidder in October. "Geely Automobile is set to work together with all stakeholders to complete the transaction in everyone's best interest," said Chairman Li Shufu.

Geely still faces significant obstacles to growth beyond China. A lack of global management skills and other shortcomings could make it tough for Geely to digest Volvo.

Another potential issue: Labor unions and governments trying to defend jobs in Europe could balk at any effort by Geely to shift jobs to China. Moreover, China's corporate culture, which has sometimes tolerated shortcuts on quality to accelerate product development, could dent Volvo's reputation.

Under its plans, Geely would build a new Volvo plant in China capable of producing 300,000 vehicles a year as it looks to draw on China's market potential and inexpensive labor to raise sales and cut costs, said the person close to Geely who spoke in November. Geely also would set up a Volvo tech center in China to help Volvo speed product development and cut research-and-development costs significantly by tapping Chinese engineers for basic engineering tasks, this person said.

*—Jeff Bennett contributed to this article.*

# U.S.-Japan ties may hinge on outcome of mayor's race

*Continued from first page*

Japan has long been a faithful U.S. ally, providing shelter and training grounds for tens of thousands of U.S. troops. Of the 33,000 U.S. troops stationed in Japan, around 21,000 are currently on Okinawa.

The base issue has long divided this town of 60,000. A majority of its voters rejected an airfield plan in a 1997 referendum. Since then, three mayors favoring the facility have won elections.

As in the rest of Okinawa, people here have long depended on U.S. bases to provide jobs and spur its economy. But they have borne the social costs, including a 2004 helicopter crash at an island university and the 1995 rape of a local schoolgirl by three U.S. servicemen.

Mayor Yoshikazu Shimabukuro and others who say they are worried about Nago's economy—which, like that of many rural Japanese towns, is shaky—want the airfield built within an existing local Marine training facility called Camp Schwab, about six miles from Nago's center. Tokyo, as part of its agreement to build the field, has pumped $900 million into Nago's economy to fund everything from a tax haven for financial back-office operations to a dolphin theme park.

Mr. Shimabukuro declined requests for to an interview.

"It would be better if they could build the new facility somewhere else," said Yoken Matsuda, 35, who has been driving a taxi in Nago, his hometown, since he lost a job at a mainland auto-parts factory in April. "But we need jobs here as well."

But a growing number of locals, emboldened by Mr. Hatoyama's stance, want the plan canceled, say politicians and news organizations here.

"We let Camp Schwab come because we were so poor and we could hardly feed ourselves," said Muneyoshi Kayo, an 87-year-old retiree who sits out on the beach by Camp Schwab several times a week to protest the construction of the new facility.

He and others are giving a nod to the mayor's challenger, Susumu Inamine, a 64-year-old former head of the local board of education. Instead of counting on infusions from Tokyo, Mr. Ianamine wants to encourage more tourism in Nago.

The area has become a destination for mainland tourists who dive on its coral reefs and trek in its tropical forests. The waters off Camp Schwab are a feeding ground for dugongs, a marine animal related to manatees, that are in danger of extinction in Japan.

"It is totally irrational that such a small place like Okinawa has shouldered so many military facilities," Mr. Inamine said. "It's about time people all over the nation start sharing the burden."

Mr. Hatoyama appears caught between his campaign promise and pressure from Washington to abide by their 2006 bilateral security accord. He Japan's alliance with the U.S. remains the "cornerstone" of its international policy but that he also wants to "listen to the voices of the people" before deciding. Japan's defense minister said Tuesday the government aimed to settle the base issue by May.

The U.S. had said it wanted a decision on the bases by the end of the year. U.S. Marine Corps commandant Gen. James Conway told reporters Tuesday that moving ahead on the base relocation is "absolutely vital to the defense that we provide for the entire region."

Unresolved, the issue could become knottier with time. In August's parliamentary elections, candidates opposing the facility won all of the four districts in Okinawa. Both the Nago election and a gubernatorial vote later in the year could result in the victory by candidates opposing the base, unifying Okinawa's voice against it.

That would hold up the 2006 accord, which calls for shutting down the unpopular Marine Corps Air Station Futenma in a crowded area in central Okinawa and moving 8,000 troops to Guam. The plan is predicated on building the new facility in Nago.

**WSJ.com**

Review the plan to relocate the airfield and see photos from Nago at **asia.WSJ.com**.

**Iron-ore merger math is a zero for China**
HEARD ON THE STREET 32

**Investment banks feast on juicy Asia-Pacific fees**
MARKETS 25

BUSINESS & FINANCE.

Thursday - Sunday, December 24 - 27, 2009 THE WALL STREET JOURNAL. asia.WSJ.com

# Case against Fortescue is tossed out

By Lyndal McFarland

MELBOURNE—Australia's securities watchdog suffered another defeat Wednesday after a court threw out its high-profile case against **Fortescue Metals** Ltd. and its billionaire chief executive.

The dismissal is likely to increase pressure on the Australian Securities and Investments Commission to review its approach and narrow its focus to ensure a better success rate in its actions against Australian companies.

Federal Court Justice John Gilmour dismissed allegations by the regulator that Fortescue and Chief Executive Andrew Forrest misled investors over agreements with Chinese state-owned companies in 2004.

ASIC said it is "assessing whether or not it will appeal."

The ruling comes just weeks after ASIC lost an eight-year case against One.Tel Ltd. founder Jodee Rich and that company's former finance director, Mark Silbermann. ASIC plans to appeal that decision but said the case "provided important guidance...on how to run similar matters in the future."

The regulator was also recently blocked from bringing a second round of proceedings against former AWB Ltd. Chief Executive Andrew Lindberg. In 2007, it failed to prove its allegations of insider trading in another high profile case against Citigroup Inc.

The Federal Court Wednesday ordered ASIC to pay Fortescue Metal's court costs. Mr. Forrest and the company had denied any wrongdoing.

ASIC had been seeking civil penalties of up to 6 million Australian dollars (about $5.3 million) against Fortescue and A$4.4 million against Mr. Forrest, who it also sought to be disqualified from acting as a company director.

The watchdog had alleged that Fortescue "engaged in misleading and deceptive conduct by overstating the substance and effect of agreements," with three Chinese companies in a series of announcements and media releases between Aug. 23 and Nov. 9, 2004.

"I have concluded that Fortescue's and Forrest's opinion, which underpinned the disclosures, in each case was honestly and reasonably held at the times of the disclosures and thereafter," Justice Gilmour said in his judgment.

Fortescue said in a statement that the decision vindicates the company's actions. "The court's decision follows over three years of legal proceedings and with the result now so unequivocally determined," Fortescue's chairman, Herb Elliot, said.

Stephen Matthews, a spokesman for the Australian Shareholders Association, said ASIC is hampered by a lack of resources and legal talent.

*—Bill Lindsay in Sydney contributed to this article.*

Bloomberg News

Fortescue CEO Andrew Forrest had been accused of misleading investors.

# Asian currencies poised to rise on rate increases

By David Roman

CURRENCY MARKETS

Asian currencies will likely remain buoyant in the months ahead, as a number of central banks raise interest rates to temper a resurgence in inflation.

A rebound in the long-ailing dollar against other major currencies could temper the gains, but brisk economic growth in Asia will attract foreign capital, lifting Asian currencies. China may let the yuan rise again midyear as it leaves deflation behind, reinforcing the trend, analysts say.

"Next year, as Asian economies continue to outperform, rate hikes should be supportive of Asian currencies," said Richard Yetsenga, a foreign-exchange strategist at HSBC.

Two key beneficiaries of this trend should be the South Korean won and the Indian rupee.

South Korea and India are poised to post strong economic growth next year. Inflation is picking up sharply in India, while asset-price inflation is a growing concern in Korea. Central banks in both countries are likely to increase interest rates in the first quarter of the year.

The International Monetary Fund forecasts South Korea's economic expansion will surge to 4.5% in 2010 from 0.25% in 2009, with inflation edging up to 2.5%, the highest among newly industrialized economies in Asia, from 2.4%. It tips Indian growth to rise to 6.4% from 5.4%, with inflation surging to 8.4% from its latest reading of 4.8%, in November.

Inflation will be driven by higher food and energy prices, with oil prices up notably after a steep drop early this year. Excess liquidity, a consequence of low interest rates to combat the global crisis, may also contribute to rising consumer prices.

Stronger currencies would help Korea and India to moderate the impact of imported inflation. Both countries are energy importers and have oil- and gas-dependent heavy-manufacturing industries.

That means they will likely be less inclined next year to intervene against currency strength, as they and many other Asian nations did this year.

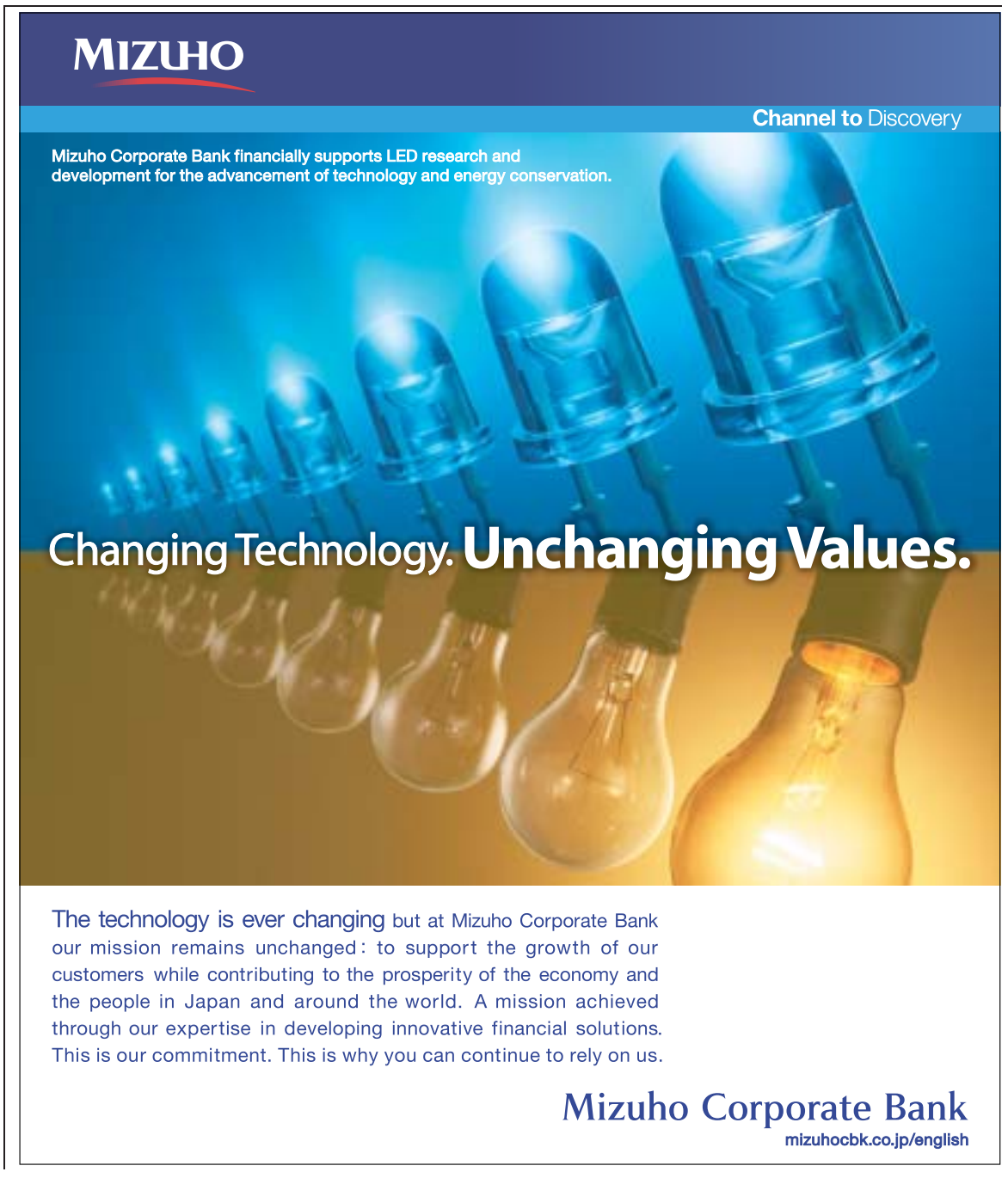
Some central banks may wait until later in 2010 to tighten monetary policy. Taiwan and Thailand are expected to have lower inflation rates than South Korea or India, but they face potential asset-price bubbles, especially in the real-estate sector, and their interest rates are extremely low by historical standards. Expectations for higher rates, likely in the second quarter, will push their currencies up.

The same will be true for Malaysia, though it will likely refrain from tightening until the third quarter.

Barclays Capital said the dollar might drop against most Asian currencies next year even if it rallies against the euro and yen.

Barclays forecasts the U.S. currency will decline to 1,050 won by the end of 2010 from 1,180.50 won late Tuesday in New York, and predicts it will fall to 44 rupees from 46.82 rupees.

*Please turn to page 24*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Mizuho Corporate Bank financially supports LED research and development for the advancement of technology and energy conservation.
Changing Technology. Unchanging Values.
The technology is ever changing but at Mizuho Corporate Bank our mission remains unchanged: to support the growth of our customers while contributing to the prosperity of the economy and the people in Japan and around the world. A mission achieved through our expertise in developing innovative financial solutions. This is our commitment. This is why you can continue to rely on us.
Mizuho Corporate Bank
mizuhocbk.co.jp/english

# ‘Cleantech’ industry resets strategy

*Without binding global carbon-emissions limits, companies looks to national, local policies to drive their growth*

By Spencer Swartz And Jim Carlton

Businesses that had banked on global greenhouse-gas limits to spur alternative-energy investments now are looking to national and local policies to get more wind turbines turning and nuclear-power plants humming, after the muddled outcome of the Copenhagen climate summit.

The failure of the United Nations gathering to produce an enforceable accord to cut fossil-fuel emissions leaves the U.S., Europe, China, India and other countries to pursue the energy strategies they already had.

In many cases, those policies are aimed more at strategic goals, such as economic development or reducing dependence on Mideast oil, than at the long-term threats posed by global warming.

Still, some businesses say these policies could play a major role in fostering so-called clean technology, which includes non-fossil power sources, such as wind turbines, and know-how like software that equips energy grids to cope with intermittent bursts of power from solar cells.

Gary Sheffer, a spokesman for **General Electric** Co., whose products include energy-efficient locomotives and wind turbines, says his company is “encouraged and optimistic” because of rising sales to nations like China. He said GE’s cleantech revenues in China for the first nine months of 2009 totaled $660 million, up 50% from a year earlier.

Since 2002, venture-capital investments in cleantech world-wide have soared from about $1 billion to an estimated $5 billion to $6 billion this year, according to the Cleantech Group, a San Francisco market-research firm.

After experiencing one of its first back-to-back quarterly declines in March, venture funding for cleantech, much of it based in California’s Silicon Valley, has resumed its climb.

In the U.S., the lack of a strong Copenhagen deal may set back some of these investments, which have already been hurt by falling oil prices. But the Obama administration still plans to use the Environmental Protection Agency to clamp down on the nation’s greenhouse-gas emissions, and the Energy Department remains committed to spending billions in public funds to jump-start alternative-energy technology.

On a smaller scale, California is pursuing a program to garner a third of its electricity from renewable sources by 2020, more than double current levels. Most Northeastern states, meanwhile, are expected to cut carbon-dioxide emissions, based on regional targets.

The adoption of renewable-energy standards, completed or under way in many states, should boost demand for technologies that make electrical grids more efficient, says Dan Adler, president of the nonprofit California Clean Energy Fund, set up by the state to help spur cleantech investment.

Such efforts have fueled the growth of Silver Spring Networks Inc., a Redwood City, Calif., grid-technology provider, which has tripled its work force since 2008 to about 450.

“From our standpoint, we have been cheerleading Copenhagen,” says Eric Dresselhuys, Silver Spring’s executive vice president, “but it’s not a direct impact on this business.”

Many U.S. states will continue to shift toward lower-carbon fuels, says Michael Peevey, president of the California Public Utilities Commission, which regulates investor-owned electric, gas and water utilities in the state. California is “not going to turn back,” he says.

Officials at **Iberdrola** SA, the Spanish power company that is the world’s biggest renewable-energy company say they are evaluating investments based on local policies, such as renewable-energy standards in states like Texas.

Some businesses, worried about a patchwork of federal and state regulation, are pushing the U.S. Congress to enact a nationwide system for cutting carbon-dioxide emissions. But the prospects for congressional action in the 2010 election year look dim.

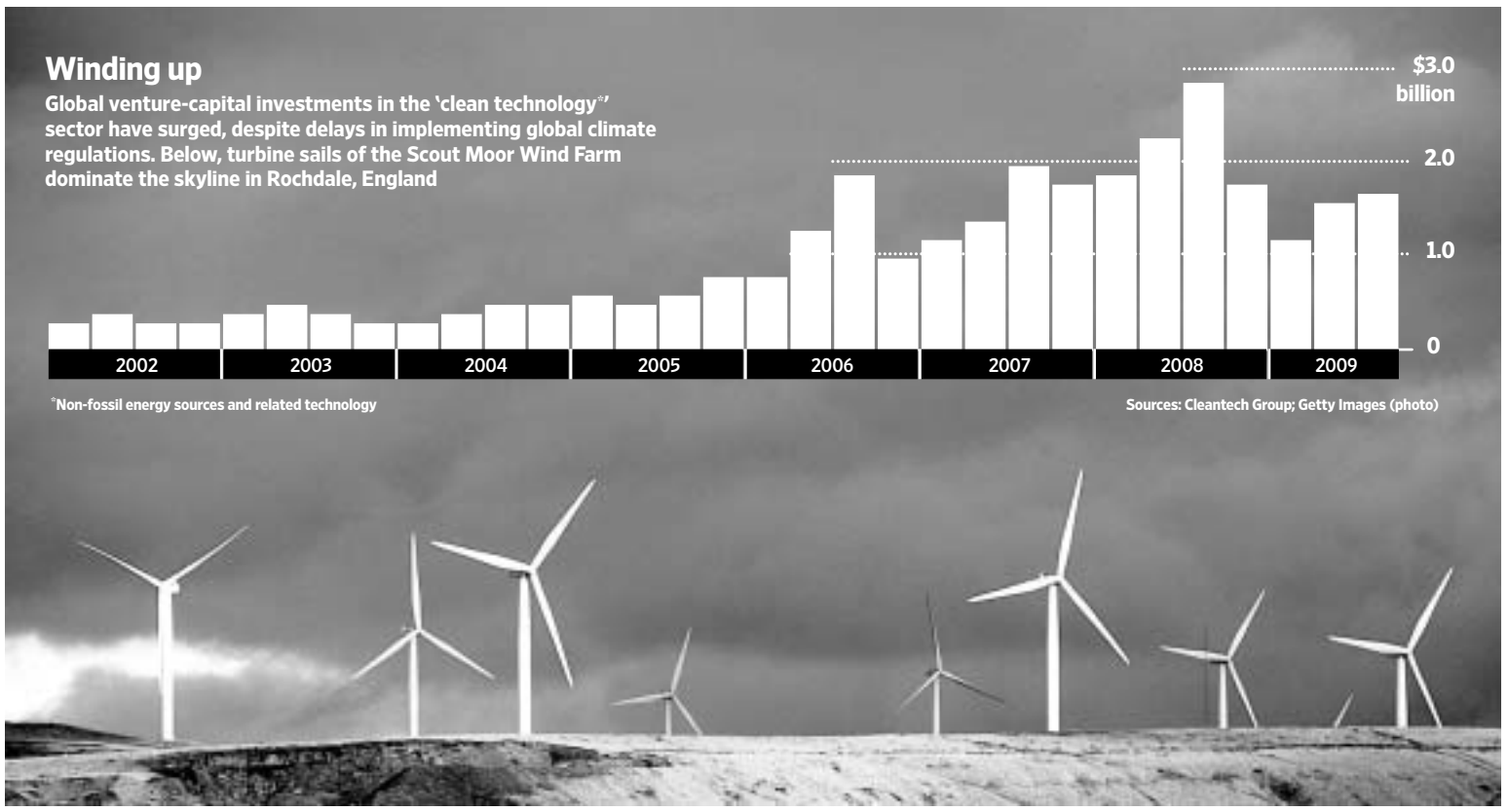
China, spurred in part by its desire to reduce dependence on foreign oil, remains committed to a sweeping energy efficiency program that calls for cutting carbon intensity, a measure of emissions relative to the size of the economy, by 40% to 45% from 2005 levels by 2020. That means government support for alternative energies, and for Chinese companies in that field, is likely to continue to grow.

Gao Jifan, chief executive of **Trina Solar** Ltd., a Chinese maker of solar panels, says the continuous cost reductions being achieved by solar-panel producers are making the technology more affordable. “So the outlook for its development is unstoppable,” he said in a statement.

In the European Union, companies still have to comply with laws that require member nations to reduce emissions collectively to 20% below their 1990 levels by 2020, despite the summit’s lack of binding targets.

“We just didn’t get a good sense from the [Copenhagen] conference about the regulatory structures that might be in place and the general direction of where public policy is headed,” says Andrew Turpin, spokesman for **Centrica** PLC, Britain’s biggest energy provider, echoing a complaint made by many other European energy investors.

*—Rebecca Smith, Sue Feng and Keith Johnson contributed to this article.*

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### Corrections & Amplifications

Peter Danssaert of the International Peace Information Service said that the route of a plane impounded in Bangkok carrying weapons from North Korea would have been normal for a general cargo flight. A Monday page-one article about the plane’s itinerary incorrectly quoted Mr. Danssaert as saying the route would have been unusual. Separately, Dane Chamorro is the managing director for China at consulting firm Control Risks. A page-one article Tuesday about the detained aircraft incorrectly said Mr. Chamorro was the Hong Kong general manager of the firm.

Bloomberg News

Westpac Banking Corp. said it will write back about NZ$190 million it had set aside to pay the tax.

# Australian banks settle feud

*Four majors to pay $1.5 billion to New Zealand tax authorities*

By Andrew Harrison And Iain McDonald

MELBOURNE—Australia's four major banks agreed to pay New Zealand taxation authorities about US$1.5 billion to settle a long-running dispute surrounding structured finance transactions.

The agreement marks a backdown for Australia's banks. At least one had said it would consider appealing rulings that were in favor of the New Zealand government.

Still, the banks had set aside provisions to pay the tax so the settlement shouldn't have a significant impact on their forecast earnings.

The settlement, totaling about 2.2 billion New Zealand dollars, represented 80% of the amount New Zealand officials were pursuing.

The dispute arose after New Zealand units of the Australian banks entered into transactions that New Zealand's Inland Revenue Department claimed were designed to avoid tax.

**Westpac Banking** Corp. said Wednesday it would pay 80% of the tax and interest owed on nine transactions carried out between 1998 and 2002.

In October, Westpac said it owed NZ$961 million after losing a New Zealand High Court case on the issue. Westpac said it would be able to write back into its earnings about NZ$190 million that was previously set aside.

**National Australia Bank** Ltd.'s BNZ unit agreed to pay NZ$658 million in disputed taxes for six transactions entered into between 1998 and 2005. The payment is less than the NZ$661 million raised by BNZ in August to reflect a High Court decision in July on the matter, the bank said.

"This is a complex and technical issue, and it has been the subject of much debate," BNZ Chief Executive Andrew Thorburn said in a statement.

"Simply put, we acted in good faith at the time, the High Court has delivered a judgment, and now it is time to settle so that we can move on."

**Australia & New Zealand Banking Group** Ltd. said it will pay the Inland Revenue Department NZ$413.7 million for seven transactions undertaken by ANZ and the **National Bank of New Zealand**. It said one transaction involving NZ$27 million in tax remains in dispute.

The sum includes NZ$105.8 million to be paid by the National Bank of New Zealand, for which ANZ holds an indemnity from **Lloyds Banking Group** PLC. "ANZ holds adequate provisions for the settlement...and there will be no negative impact on ANZ's 2010 financial results," the bank said.

**Commonwealth Bank of Australia** Ltd.'s ASB unit reached an accord on four transactions and agreed to pay NZ$264 million.

A spokeswoman for New Zealand's Inland Revenue couldn't immediately be reached for comment.

# Australia Post selects a new chief

By Rebecca Thurlow

SYDNEY—Australia Post appointed a banker as its chief executive as it seeks to reinvent itself in the face of falling letter volumes.

The government-owned mail service said Wednesday it has appointed former **National Australia Bank** Ltd. senior manager Ahmed Fahour after a four-month international search.

"The board's challenge to Ahmed is to write the next chapter in our corporation's proud history," said Australia Post Chairman David Mortimer.

"This will involve proposing ambitious new strategies that further strengthen our balance sheet and improve our profitability."

Mr. Fahour formerly headed up NAB's Australian business. He was seen as a candidate for the bank's top job but missed out to current Chief Executive Cameron Clyne.

Mr. Fahour succeeds Graeme John, who said in August he would retire after 16 years as the company's chief executive.

Australia Post has responded to falling letter volumes by broadening its revenue base.

It is selling more retail products and has been expanding into financial services.

In September, it announced it would enter the insurance sector by offering competitively priced car insurance online and via the phone.

> Ahmed Fahour's appointment ends a four-month international search.

"We all recognize that the world is changing faster than ever before, especially the world of communications," said Mr. Fahour.

"My primary role as chief executive officer is to position the business to profit from these challenges...," he said.

A group of influential economists earlier this year petitioned the government to create a publicly owned entity, like Kiwibank in New Zealand, to offer essential financial services via existing public infrastructure such as post offices.

However, the proposal, aimed at providing an alternative to Australia's powerful major banks, was dismissed by treasurer Wayne Swan, who said he was content with how the banking sector was being run.

The influence of Australia's big four banks has increased since the global financial crisis.

They have picked up market share and assets from troubled smaller domestic competitors as well as international banks operating in the local market.

Australia Post's annual net profit fell 40% last financial year, affected by falling letter volumes as well as higher pension costs in a tough financial market and movements in bond rates and property valuations.

Mr. Fahour will take up the Australia Post role on Feb. 1.

# Microsoft loses appeal in software patent suit

By Brent Kendall And Don Clark

A federal appeals court on Tuesday affirmed a $290 million patent-infringement judgment that will bar **Microsoft** Corp. from selling current versions of its flagship Word software.

Microsoft said it has been preparing modified versions of the affected programs that should be ready when the injunction goes into effect on Jan. 11, allowing sales to continue without interruption. The company also indicated the ruling shouldn't affect its highly anticipated Office 2010 software, due out next year. It also doesn't affect copies of Word that have already been sold.

The U.S. Court of Appeals for the Federal Circuit on Tuesday affirmed a ruling in a case brought by **i4i** Inc., a Toronto-based technology company that convinced a Texas jury last May that recent versions of Microsoft Word infringed a company software patent that deals with manipulating the architecture of a document.

After the jury verdict, U.S. District Court Judge Leonard Davis issued a permanent injunction that barred Microsoft from selling Word 2003 and Word 2007, versions of the product that use a technology called "Custom XML" that is used to classify documents for retrieval by computers. Judge Davis also ordered Microsoft to pay more than $290 million in penalties.

The ruling comes amid a continuing debate about the impact of patent litigation on innovation, including the size of damage awards and whether such monetary judgments alone should be used rather than injunctions. A landmark Supreme Court ruling in 2006, in a case involving **eBay** Inc., reversed precedents that had virtually guaranteed patent holders could receive injunctions.

I4i's case for an injunction, however, was bolstered by the fact that it sells software products based on its patent, unlike some patent holders who don't practice their inventions and instead use them to seek licensing fees from others.

"In this case, a small company was practicing its patent, only to suffer a loss of market share, brand recognition and customer goodwill as the result of the defendant's infringing acts," the appeals court said in a 49-page opinion.

The ruling rejected Microsoft's multipronged appeal, which attacked i4i's patent, the $290 million judgment and the permanent injunction. The court ruled i4i's patent was valid and said there was sufficient evidence for a jury to rule that Microsoft infringed it. The court also said Judge Davis didn't abuse his discretion by imposing the injunction against the software giant.

Kevin Kutz, a Microsoft spokesman, said Tuesday that it had been preparing for the ruling, and had "put the wheels in motion" to remove what it called the little-used Custom XML feature from Word 2007 and Office 2007, the current suite of products that includes Office.

Mr. Kutz also said the beta, or test, versions of Word 2010 and Microsoft Office 2010—now available for downloading—don't contain the technology covered by the injunction. Meanwhile, the company is considering its legal options, he said.


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CORPORATE NEWS

# Dreaming of a very Blu Christmas

*Internet capability and low prices are boosting sales of both basic and new-wave Blu-ray players*

By Yukari Iwatani Kane and Miguel Bustillo

Associated Press

Blu-ray players are a hot item this year. Above, some Sony products were displayed in September 2008 at a Tokyo press conference.

Blu-ray players, particularly those that can exploit Internet video services, are a hot item this shopping season.

Just 3½ years after **Samsung Electronics** Co. introduced the first Blu-ray player for $999, prices have dropped to as low as $80, making them an irresistible item for many consumers this year. Shoppers can now find dozens of brand-name Blu-ray players by the likes of Samsung, **Sony** Corp. and **Panasonic** Co. in the $130 range at large retailers, with some available for $99 or less in promotions.

But shoppers are also flocking to models that cost a bit more, starting around $150, for their ability to stream content from the Internet, including movies, television shows and music from services like **Netflix** Inc., **Google** Inc.'s YouTube and **Pandora Media** Inc.

Sales of both basic and new-wave Blu-ray players were up 53% during the week of Black Friday, according to market-research company NPD Group Inc., which obtains point-of-sale data from undisclosed electronics sellers, excluding Wal-Mart Stores Inc. Overall, the industry is expected to ship nine million Blu-ray players in 2009, up 54% from the previous year, according to research firm IDC.

Jim Beglinger, a 63-year-old San Francisco architect, was planning to buy a basic Blu-ray player to go along with a 37-inch high-definition television he purchased. Then he discovered Blu-ray models enabled to deliver video over the Internet were only $229. They were so affordable, he upgraded his choice. "It's all about convenience," he said, adding that he bought two so he could give one to his daughter.

The price plunge—expected to be a hot topic at next month's Consumer Electronics Show—partly reflects typical deflation for many consumer-electronics products. Prices on TVs and many gadgets have fallen 20% or more in the past year. But Blu-ray player prices have fallen faster than anyone has expected, in part because the price of laser components used in the devices has fallen sharply. "There's no season in the DVD saga that saw players come down like this," says Rick Doherty, an analyst at Envisioneering Group, a market-research company.

Analysts add that the Blu-ray price decline is particularly well timed, since prices of high-definition TVs are falling as well. Amazon.com Inc., for example, is selling 37-inch high-definition LCD televisions for less than $600. Blu-ray players exploit the full image quality of high-definition TVs, showing movies in 1,080 lines of resolution as opposed to just 480 lines for DVDs. Studios are also offering a broader range of titles in the Blu-ray format. New movies are now available in both Blu-ray and regular DVD formats, and Blu-ray versions of older movies are being released slowly but surely. Prices for these also have dropped significantly; while studios typically set a price of $30 or more for Blu-ray titles, discounts this season have brought some down to $17 or less.

When Blu-ray beat out a rival format to succeed DVDs nearly two years ago, some people worried the devices, which merely played discs, would be stunted by competition from Internet-delivered movies. But consumers are opting for both, using the devices to play discs and get Web services into the living room.

For example, for as little as $8.99 a month, Netflix subscribers can access online movies that start playing with a single click in addition to receiving rental DVDs in the mail. (Blu-ray movies cost an additional $3 a month.) Roxio CinemaNow, another Internet-movie company, allows viewers to stream movies on a pay-per-view basis, with prices running from $3.99 to $4.99 for most new releases.

"The pie is getting bigger—people are consuming more entertainment," says Chris Fawcett, vice president of home audio and video for Sony. The company also reduced the price of its PlayStation 3 video-game console, which comes with a Blu-ray player and Internet capability by $100 to $299, making it an attractive all-in-one device.

Blu-ray devices connect to the Internet through home networks, just like computers, via wires or built-in wireless adapters. (Few, however, can surf the Web like a computer.) The precise way that consumers access Internet content on Blu-ray players can vary by manufacturer, but in general they use their remote to navigate the main menu of the Blu-ray player. Then, users click on categories of entertainment offerings to view libraries of movies, music, and television shows and make a selection.

Some low-end players can't access such services, or can use the Internet only to access extra scenes and interactive content on Blu-ray discs through a feature called BD Live.

The emergence of Blu-ray players that can also stream Internet movies finally convinced Shawn Roberts, an Oklahoma City attorney, to make a move last month. Mr. Roberts, 37 years old, and his wife haggled with Best Buy and got a reduced price on a combination of a flat-screen television, Blu-ray player and media cabinet. He says they never would have wanted a Blu-ray player before becoming intrigued by streaming movies from Netflix, which they had tested on their computer.

"That was a huge factor in our purchase," said Mr. Roberts, who derives nostalgic enjoyment from watching 1980s television shows on Netflix, such as "Growing Pains" and "Gimme a Break."

Blu-ray boosters foresee another potential boost from an emerging technology: 3-D home movies, which are expected to appear by next year.

The Blu-ray Disc Association, an industry consortium, is expected in coming weeks to finalize a 3-D playback standard, and 3-D content is expected to be another hot topic at the Consumer Electronics Show. Blu-ray discs are essential for viewing 3-D content, since 3-D movies come in large digital files that are impractical to stream or download over the Internet.

### Cheaper viewing

**The annual drop in the median price of disc players:**

**DVD players,** launched May 1997

| | |
|---|---|
| Initial price | $840 |
| Year 1 ('98) | $571 |
| Year 2 ('99) | $467 |
| Year 3 ('00) | $345 |
| Black Friday ('00) | $248 |

**Blu-ray players,** launched May 2006

| | |
|---|---|
| Initial price | $800 |
| Year 1 ('07) | $497 |
| Year 2 ('08) | $388 |
| Year 3 ('09) | $322 |
| Black Friday ('09) | $221 |

Source: The Envisioneering Group

## Novartis betting on heart drug

By Anita Greil

ZURICH—**Novartis** AG Wednesday said it is paying up to $620 million for the world-wide rights to an experimental heart drug in a deal that boosts the Swiss drug maker's portfolio of cardiovascular medicines.

Novartis, based in Basel, is buying privately held U.S. bio-pharmaceutical company **Corthera** Inc. for $120 million.

If the experimental drug, called Relaxin, meets development and revenue goals, Corthera's current shareholders would be eligible for additional payments of up to $500 million, Novartis said.

Relaxin is in late-stage development as a potential treatment option for patients with acute decompensated heart failure, an illness that typically afflicts older people.

Novartis's portfolio of cardiovascular medicines is built around its blood-pressure-lowering pill Diovan, which will start to face competition from cheaper generics as early as next year.

Diovan is Novartis' best-selling drug, with annual sales of close to $6 billion last year.

Novartis expects to submit Relaxin for regulatory approval in Europe and the U.S. in 2013. The U.S. regulator has already granted a swift approval process.

The drug, which is administered intravenously, has the potential to generate as much as $1 billion in annual revenue in its best year, said Andrew Weiss, pharmaceutical analyst in Zurich with Swiss private bank Vontobel.

But he cautioned that the probability of the drug successfully passing remaining clinical tests, and gaining marketing approval, was less than 40%.

## AstraZeneca agrees to buy Novexel

By Jason Douglas

LONDON—U.K. drug maker **AstraZeneca** said Wednesday it has agreed to acquire **Novexel**, in a deal that adds to its pipeline of potential new drugs to tackle infections and deepens an alliance in the field with **Forest Laboratories** Inc.

The deal centers on Paris-based Novexel's two most advanced drug-development programs, CAZ104 and CEF104, which aim to treat infections that have gained resistance to existing antibiotics, a trend that is spurring research into new anti-infective medicines.

Under the terms of the deal, the Anglo-Swedish pharmaceutical company will pay $350 million to acquire Novexel's shares and $80 million for its cash.

If certain milestones in the development of its drug programs are met, shareholders in the French company will receive another $75 million, AstraZeneca said. However, once the deal has been completed, Forest has agreed to pay AstraZeneca half of whatever it spent on the acquisition in total, the company said.

AstraZeneca said it will share the costs of developing CAZ104 and CEF104 with Forest, and the companies have agreed that Forest will sell them in North America should they reach the market, while AstraZeneca will market them in Europe and most other countries.

CAZ104 is a combination of a compound developed by Novexel called NXL-104 and ceftazidime, an antibiotic that is facing resistance from strains of bacteria.

The addition of NXL-104 helps to overcome that resistance, according to AstraZeneca. The drug is being developed to treat serious infections in the abdomen and urinary tract, as well as pneumonia, and is scheduled to enter Phase III clinical trials in late 2010.

CEF104 is a combination of NXL-104 and ceftaroline, a novel antibiotic from Forest Laboratories to which AstraZeneca bought the European rights in August.

The demand for new anti-infection drugs is being driven by the ever-increasing development of bacterial resistance to the current antibiotics.

AstraZeneca wants to build a franchise in the treatment of infection and has created a research facility dedicated to its study in the U.S.

In July, it said it would continue to develop CytoFab, which is an experimental treatment for severe sepsis licensed from BTG PLC.

## CORPORATE NEWS

Bloomberg News

Fiat CEO Sergio Marchionne, shown earlier this month, outlined plans on Tuesday for the introduction of new models.

# Fiat plans to spend $11.4 billion

*Auto maker aims to boost output, capitalizing on alliance with Chrysler*

By Giada Zampano

**Fiat** SpA on Tuesday offered fresh details on how it will capitalize on its alliance with **Chrysler Group** LLC, saying it will broaden its product portfolio while investing more than €8 billion ($11.4 billion), largely to boost car production in Italy by 50% over the next two years.

The auto maker will introduce over the next few years a number of new Fiat and Lancia models based on Chrysler car, sport-utility vehicle and crossover platforms.

Even as he outlined ambitious plans for Fiat, however, Chief Executive Sergio Marchionne told Italian government and union officials that he wouldn't reverse an earlier decision to stop making cars at the money-losing Termini Imerese car plant in Sicily—one of Fiat's five Italian car plants.

Chrysler's first contribution to expanding Fiat's product lineup will be a sport-utility vehicle that will be available sometime in 2010.

All told, Fiat plans to launch 17 new models and 13 upgraded versions of existing models in 2010 and 2011, Mr. Marchionne said.

Chrysler's biggest impact on Fiat will come the following year with the arrival of five new models. That will include a Fiat-brand crossover, and four models for its premium Lancia brand, including a sedan and a convertible.

The Fiat group "will finally cover in an adequate way the medium to high segments," Mr. Marchionne told labor and political leaders in a presentation that was made available to reporters.

It was only a month ago that Fiat's CEO, on a visit to Michigan, outlined his strategy for Chrysler. While he has spoken generally about Fiat's need for Chrysler's expertise in large cars, Tuesday's presentation offered fresh specifics.

Fiat took a 20% stake in Chrysler earlier this year as the U.S. auto maker emerged from U.S. bankruptcy-court protection.

Despite difficult auto-market conditions, Mr. Marchionne said Fiat intends to increase its annual production in Italy to between 800,000 and one million units over the next three years from a likely 650,000 units this year.

After Mr. Marchionne reiterated Fiat's plan to shut the Sicily car plant, union leaders urged workers to strike on Wednesday as Economic Development Minister Claudio Scajola called for another meeting to decide the factory's fate.

The plant has been a thorn in Fiat's side in regard to its relations both with the unions and many politicians.

Although the plant keeps losing money, political and labor leaders demand that it stay in operation, given its importance to the local economy.

*—Gilles Castonguay contributed to this article.*

# Gulf News steers coverage of Dubai

By Maria Abi-Habib

DUBAI—Gulf News, a newspaper part-owned by a senior government minister in the United Arab Emirates, has told its journalists to avoid using the words "bailout" and "default" when writing about Dubai's debt crisis, according to an internal memo sent to staff and seen by Zawya Dow Jones.

Reporters for the paper, the largest English-language daily in the U.A.E., were also urged to steer clear of the phrase "debt crisis" and asked to "ensure the following politically correct terminology is used"—words such as "financial consolidation" and "fiscal support"— when describing the sheikdom's economic problems and the assistance it has received from Abu Dhabi, according to the note sent Dec. 14.

"This is a style guide," said Francis Matthew, the Dubai-based paper's editor at large, when asked about the memo. "We're trying to restrict people from using financially incorrect terms."

U.A.E. officials have criticized international coverage of Dubai's debt crisis since the emirate surprised markets on Nov. 25, saying it needed to freeze $26 billion of debt owed by one of its largest government-owned groups, **Dubai World**.

Abu Dhabi bailed out Dubai on Dec. 14 with $10 billion.

Dubai's finance chief this month blamed the media for spreading "blind panic" about the emirate's financial woes following the standstill request that triggered a downgrade of many of its banks and government-owned companies.

# Boeing takes control of plant, tests Dreamliner

By Peter Sanders

In another move to gain control of the sprawling supply chain for its 787 Dreamliner, and offer relief to a struggling contractor, **Boeing** Co. acquired the half of a South Carolina fuselage subassembly plant it didn't already own.

Terms of the purchase of the Global Aeronautica factory from Alenia North America, a unit of Italy's **Finmeccanica** SpA, weren't disclosed.

Boeing for two years has struggled with manufacturing issues on the cutting-edge jet. With its test-flight program finally under way, the company now needs to ramp up production on an aircraft that is years behind schedule.

The Dreamliner made its first test flight last week. A second Dreamliner test plane made a two-hour maiden flight above Washington state on Tuesday. Test pilots reported a landing-gear door had problems retracting, a minor glitch.

That plane, painted in the colors of launch customer **All Nippon Airways** Co., is one of six 787s Boeing will use for certification from the U.S. aviation authority.

# Legal Notices

## BANKRUPTCIES

**IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE**

| | |
|---|---|
| In re: | ) Chapter 11 |
| VISTEON CORPORATION, et al., | ) Case No. 09-11786 (CSS) |
| Debtors. | ) Jointly Administered |

**NOTICE OF HEARING TO CONSIDER DISCLOSURE STATEMENT**

TO ALL HOLDERS OF CLAIMS AND INTERESTS AND PARTIES IN INTEREST:

**PLEASE TAKE NOTICE THAT** on December 17, 2009, the Debtors (as defined below) filed (a) the *Disclosure Statement for the Joint Plan of Reorganization of Visteon Corporation and Its Debtor Affiliates Pursuant to Chapter 11 of the United States Bankruptcy Code* [Docket No. 1476] (as amended from time to time and including all exhibits and supplements thereto, the "Disclosure Statement"); (b) the *Joint Plan of Reorganization of Visteon Corporation and Its Debtor Affiliates Pursuant to Chapter 11 of the United States Bankruptcy Code* [Docket No. 1475] (as amended from time to time and including all exhibits thereto, the "Plan"); and (c) the *Motion for Entry of an Order (A) Approving the Adequacy of the Debtors' Disclosure Statement; (B) Approving Solicitation and Notice Procedures with Respect to Confirmation of the Debtors' Proposed Plan of Reorganization; (C) Approving the Form of Various Ballots and Notices in Connection Therewith; and (D) Scheduling Certain Dates with Respect Thereto* [Docket No. 1477] (the "Motion"). The "Debtors" in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Visteon Corporation (9512); ARS, Inc. (3590); Fairlane Holdings, Inc. (8091); GCM/Visteon Automotive Leasing Systems, LLC (4060); GCM/Visteon Automotive Systems, LLC (7103); Infinitive Speech Systems Corp. (7099); MIG-Visteon Automotive Systems, LLC (5828); SunGlas, LLC (0711); The Visteon Fund (6029); Tyler Road Investments, LLC (9284); VC Aviation Services, LLC (2712); VC Regional Assembly & Manufacturing, LLC (3058); Visteon AC Holdings Corp. (9371); Visteon Asia Holdings, Inc. (0050); Visteon Automotive Holdings, LLC (8898); Visteon Caribbean, Inc. (7397); Visteon Climate Control Systems Limited (1946); Visteon Domestic Holdings, LLC (5664); Visteon Electronics Corporation (9060); Visteon European Holdings Corporation (5152); Visteon Financial Corporation (9834); Visteon Global Technologies, Inc. (9322); Visteon Global Treasury, Inc. (5591); Visteon Holdings, LLC (8897); Visteon International Business Development, Inc. (1875); Visteon International Holdings, Inc. (4928); Visteon LA Holdings Corp. (9369); Visteon Remanufacturing Incorporated (3237); Visteon Systems, LLC (1903); Visteon Technologies, LLC (5291). The location of the Debtors' corporate headquarters and the service address for all the Debtors is: One Village Center Drive, Van Buren Township, Michigan 48111. Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Plan, the Disclosure Statement, or the Motion, as applicable.

**PLEASE TAKE FURTHER NOTICE THAT** a hearing will commence on **January 28, 2010 at 1:00 p.m. prevailing Eastern Time** before the Honorable Christopher S. Sontchi, United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801 (the "Disclosure Statement Hearing") to consider the Motion, which seeks the entry of an order (the "Disclosure Statement Order") (a) finding that, among other things, the Disclosure Statement contains "adequate information" within the meaning set forth in section 1125 of the Bankruptcy Code and (b) approving the Disclosure Statement and certain other materials related to the solicitation of acceptances of the Plan (the "Solicitation Package"). The Disclosure Statement Hearing may be continued from time to time without further notice other than an adjournment announced in open court at the Disclosure Statement Hearing or at any subsequent adjourned Disclosure Statement Hearing.

**PLEASE TAKE FURTHER NOTICE THAT** the Plan, the Disclosure Statement, the Motion, the Disclosure Statement Order, and other documents and materials related thereto, including certain solicitation materials after they are filed, may be obtained by: (a) accessing the Debtors' restructuring website at http://www.kccllc.net/visteon; (b) writing to the Debtors' claims and solicitation agent, Kurtzman Carson Consultants LLC, at Visteon Balloting Center, c/o Kurtzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, California 90245; or (c) calling the Debtors' restructuring hotline at (866) 967-0260 within the U.S. or Canada or, outside of the U.S. or Canada, (310) 751-2660.

**PLEASE TAKE FURTHER NOTICE THAT** responses and objections, if any, to the approval of the Disclosure Statement, or any of the other relief sought by the Debtors in connection with the approval of the Disclosure Statement, must: (a) be in writing, (b) conform to the applicable Federal Rules of Bankruptcy Procedure and Local Rules for the United States Bankruptcy Court for the District of Delaware, (c) state the name and address of the objecting party and the amount and nature of the Claim or Interest of such Entity; and (d) state with particularity the basis and nature of any objection and, if practicable, a proposed modification to the Disclosure Statement or materials comprising the Solicitation Package that would resolve such objection. **Responses or objections, if any, also must be filed with the Bankruptcy Court and served upon each of the following parties so as to be actually received no later than 4:00 p.m. prevailing Eastern Time on January 15, 2010: *Co-Counsel to the Debtors:*** (i) **KIRKLAND & ELLIS LLP,** James H.M. Sprayregen, P.C., James J. Mazza, Jr., Sienna Singer, 300 North LaSalle, Chicago, Illinois 60654 and Marc Kieselstein, P.C., Brian S. Lennon, 601 Lexington Avenue, New York, New York 10022; (ii) **PACHULSKI STANG ZIEHL & JONES LLP,** Laura Davis Jones, James E. O'Neill, Timothy P. Cairns, 919 North Market Street, 17th Floor, Wilmington, Delaware 19899-8705; ***Co-Counsel to the administrative agent for the DIP Facility and Term Loan Facility:*** (iii) **BINGHAM MCCUTCHEN LLP,** Sabin Willett, Amy Kyle, Rheba Rutkowski, One Federal Street, Boston, Massachusetts 02110; (iv) **MORRIS, NICHOLS, ARSHT & TUNNELL LLP,** Derek C. Abbott, Gregory T. Donilon, John Sensing, Chase Manhattan Centre, 18th Floor, 1201 North Market Street, P.O. Box 1347, Wilmington, Delaware 19899-1347; ***Co-Counsel to the ABL Lender:*** (v) **MCGUIRE WOODS LLP,** Mark Freedlander, EQT Plaza, 625 Liberty Avenue, 23rd Floor, Pittsburgh, Pennsylvania 15222-3142; (vi) **MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.,** Jonathan Green, Donald Hutchinson, Stephen LaPlante, 150 West Jefferson, Suite 2500, Detroit, Michigan 48226; ***Co-Counsel to the Creditors' Committee:*** (vii) **BROWN RUDNICK LLP,** Howard L. Siegel, Esq., City Place I, Hartford, Connecticut 06103 and Robert J. Stark, Esq., Seven Times Square, New York, New York 10036; (viii) **ASHBY & GEDDES, P.A.,** William P. Bowden, Esq., Gregory A. Taylor, Esq., 500 Delaware Avenue, 8th Floor, Wilmington, Delaware 19801; and (ix) **OFFICE OF THE UNITED STATES TRUSTEE FOR THE DISTRICT OF DELAWARE,** Jane Leamy, Esq., 844 King Street, Suite 2207, Wilmington, DE 19801.

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THE WALL STREET JOURNAL. ASIA

DOWJONES A NEWS CORPORATION COMPANY

# Trial's timing challenged

*Galleon defense attorneys ask court to reject government's request*

By Jennifer S. Forsyth

Defense attorneys for **Galleon Group**'s Raj Rajaratnam and Danielle Chiesi, a former hedge-fund consultant at **New Castle Partners**, asked a federal judge Tuesday to deny the government's request to conduct a criminal trial before the parallel case brought by the Securities and Exchange Commission.

On Monday, prosecutors asked that the court schedule the criminal trial before the SEC trial for fear that if the SEC case was heard first, witnesses as well as the defendants might invoke their right against self-incrimination as protected by the Fifth Amendment.

However, in a rebuttal filed with the court Tuesday, attorneys for Mr. Rajaratnam and Ms. Chiesi said that the problem is one of the government's own making, since prosecutors in the Southern District of New York touted their cooperation with the SEC at a joint news conference the day of the defendants' arrest, Oct. 16. The SEC filed its complaint that day fully aware that the Southern District "had not indicted any of the defendants and therefore a criminal case, if brought, would very likely lag the civil matter," according to the filing.

Moreover, the prosecution's concerns over witnesses invoking their Fifth Amendment protection is surprising, the defense attorneys wrote, in part because the SEC on Friday notified the defendants of their upcoming depositions "thereby accelerating the very issue that the Government now claims will

Reuters

Galleon Group's Raj Rajaratnam has pleaded not guilty to insider trading.

threaten the criminal proceeding."

Mr. Rajaratnam and Ms. Chiesi pleaded not guilty Monday before a U.S. district court judge to charges they were involved in a $20.8 million insider-trading scheme. They were arraigned on charges of conspiracy and securities fraud, following a federal grand jury indictment last week. Both claimed no wrongdoing.

During the hearing, U.S. Attorney Joshua Klein said discovery on the case should begin this week, with the bulk of the government's wiretap intercepts expected to be released to defense attorneys in the coming days. Mr. Klein requested a trial date of June or July, given the SEC case is set in August. U.S. District Judge Richard Holwell set a status conference update of Feb. 11, and he said at that time, a trial schedule could be determined.

# BlackBerry maker takes another hit from outage

*Associated Press*

A second outage of BlackBerry service in less than a week frustrated people who depend on the messaging device and came at a bad time for its maker, which faces increasing competition in the market it helped pioneer.

BlackBerry service was restored Wednesday morning, and the company behind the service, Canada's **Research In Motion** Ltd., blamed a software upgrade for the problem. RIM said message delivery was delayed or intermittent during the service interruption, but it said phone service and text-messaging service were unaffected.

The glitch, which came after an outage last Thursday, could damage the company's reputation.

"One of RIM's big advantages is that it's perceived as a reliable device," said Duncan Stewart, director of research and analysis at DSam Consulting. "To lose the advantage of reliability would, in fact, be a very big deal for this company."

Although RIM's service is sold by wireless carriers, RIM manages its messaging network itself. That can improve speed, but the centralized structure also means that any problems can affect millions of users. BlackBerry service went out at least three times last year.

When e-mail and Web service on the devices went out Tuesday night, Twitter and other online forums were peppered with complaints.

This week's outage apparently stemmed from a flaw in recently released versions of RIM's instant-messaging software, known as BlackBerry Messenger. On Wednesday, RIM released a new version that resolves the program and encouraged anyone who downloaded or upgraded BlackBerry Messenger since Dec. 14 to upgrade to this latest version.

RIM, based in Waterloo, Ontario, apologized for any inconvenience experienced by customers.

RIM has sold more than 75 million BlackBerrys world-wide since the gadget was introduced at the start of this decade and became part of popular culture.

The company counts more than 36 million subscribers.

After originally focusing on corporate or government customers, RIM has expanded into the consumer market in recent years with touch-screen models like the BlackBerry Storm. The consumer market, however, can be more fickle. And there, RIM faces tough competition from devices such as **Apple** Inc.'s iPhone, **Palm** Inc.'s Pre and the **Motorola** Inc. Droid.

The iPhone, in particular, stole much of RIM's thunder because of its design cachet and the seemingly limitless supply of applications, or "apps," that users can download to customize their phones. Yet the iPhone also hasn't been as reliable as many users would like. **AT&T** Corp., the sole carrier of the device in the U.S., has been upgrading its network to reduce dropped connections and long waits.

RIM's stock has dropped 23% since September. The stock was down slightly in Toronto at midday Wednesday but up somewhat on the Nasdaq Stock Market.

# After dry year, start-ups are poised to get cash

By Pui-Wing Tam

After a dismal 2009, venture capitalists are preparing to ramp up their investments, injecting much-needed cash into start-ups.

Some venture-capital firms have loosened their purse strings in recent weeks and are starting to invest new money. That has resulted in several deals, such as last month's $52 million infusion into social-networking advertising and software company **RockYou** Inc. and the $57 million invested in online textbook-rental service **Chegg** Inc.

In addition, many venture capitalists say they have been meeting investment bankers and working with their tech start-ups on filing for initial public offerings next year.

"When the year started it couldn't possibly have been worse," says Geoff Yang, a general partner at venture firm **Redpoint Ventures** in Menlo Park, Calif. "Now there's a significantly more optimistic view" in the venture industry.

Chegg Chief Executive Osman Rashid says it took just 30 days or so for the Santa Clara, Calif., start-up to raise its latest round of venture capital, which it announced in mid-November. With the money, Mr. Rashid says the company, which has raised more than $160 million since its 2005 founding, plans to double its work force next year and expand the number of colleges it serves. Chegg currently has close to 100 full-time employees, he says.

Venture capital firms invest in young companies with the aim of profiting later when those start-ups go public or are sold. Their recent activity is a turnabout from what has been a challenging year for the venture-capital industry.

Hit by the financial meltdown and recession, many venture capitalists scrambled in 2009 to shut down their weaker investments and conserve cash. New investment activity declined, and profits from IPOs and acquisitions were few and far between.

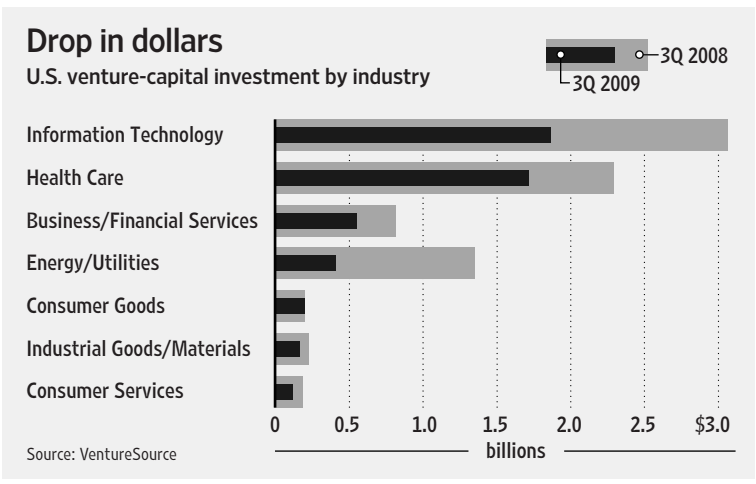
Venture capitalists had invested just $14.6 billion into start-ups through the first three quarters of 2009, down from more than $25 billion in the same period in 2008, according to research firm VentureSource.

And even with more investments unfolding in the fourth quarter, it's unlikely the venture industry will match the $31 billion invested for all of 2008.

At the same time, companies backed by venture capitalists raised just $683.4 million through IPOs in the first three quarters of 2009, according to VentureSource.

While that was more than the $550.6 million that was generated from IPOs of venture-backed companies in 2008, it remained far off the $6.8 billion that was produced in 2007.

And mergers and acquisitions of venture-backed start-ups in the U.S. returned $9.1 billion in the first three quarters of 2009, down 55.6% from the $20.5 billion that such deals generated in the same period in 2008.




"This year will go down as one of those years that the venture industry will just be glad they managed to get through," says John Steuart, a partner at **Claremont Creek Ventures**, an Oakland, Calif., venture firm.

The venture industry only began stepping up its activity late in the year after the economy and stock market showed signs of stabilization. Redpoint's Mr. Yang says that helped lead to a flurry of sales and IPOs of some of his firm's venture-backed companies, including a $405 million sale of video-conferencing company LifeSize Communications Inc. to Logitech International in November and an IPO of security-software company Fortinet Inc. that same month.

Tom Baruch, a venture capitalist at **CMEA Capital**, says that with the IPO window now appearing to open, he expects up to half a dozen of his firm's start-ups to file to go public in the foreseeable future.

He says he's been spending about a third of this time working with the start-ups to meet investment banks that would help lead an offering and is advising companies on pricing and other IPO-related processes.

"We were getting zero phone calls" from investment banks about taking companies public six months ago, says Mr. Baruch, who adds that 2010 could shape up to be the busiest IPO period for his firm since 2000. "Now we're getting phone calls constantly."

Other venture capitalists say they expect to ramp up their investment pace after a restrained year and are particularly looking at opportunities in tech sectors such as social networking, mobile technologies, health-care technology and clean technology.

Some start-ups have had a harder time raising money. Online ad technology maker **LiveRail** Inc. raised just $1 million in June from its existing investors, but had been seeking more earlier in the year from venture capitalists.

Now the start-up is "opportunistically" looking for more capital, says LiveRail executive vice president Niccolo Pantucci. "The doors are open for deals, but venture capitalists are still cautious," he says.

Claremont Creek's Mr. Steuart says his firm spent the first half of the year focused on ensuring its current start-ups would make it through the recession. Only in the past few months did the venture firm begin "telling our network that we're actively looking for new projects," he says.

Standish O'Grady, managing director at **Granite Ventures**, says his venture firm typically makes seven new investments annually but was more cautious this year and will have closed six new deals by year end. In some cases, it took five to six months to conduct so-called due-diligence investigations on a new investment, far longer than it would normally take, he says.

Next year, however, he figures the firm may do eight deals—or even up to 12—given that valuations on start-ups haven't yet returned to frothy levels.

"If we found 12 deals, we would figure out a way to make them," says Mr. O'Grady.

CORPORATE NEWS

# Nordstrom's caution and mix pay off

*Department store acted earlier than most on signs of the recession, sparing it from fire-sale markdowns of rivals*

By Rachel Dodes

Sean Flanigan for The Wall Street Journal

A Nordstrom salesman helps a customer in the shoe department.

**Nordstrom** Inc., which acted earlier than many retailers on signs of the recession, appears poised to come out of the downturn faster than some of its more luxurious rivals.

The 108-year-old retailer, which has always offered a wider assortment of brands and prices than higher-end competitors such as Saks Fifth Avenue and Neiman Marcus, has been working with vendors to create exclusive, but less expensive, second lines and pushing into more sales channels.

"We are not out of the woods yet," says Nordstrom's president, Blake Nordstrom, the 49-year-old great-grandson of the company's late founder, John W. Nordstrom. "But we are encouraged that the trends are improving."

The performance of Nordstrom also shows how the lower tier of the luxury market is rebounding faster than the higher end, as wealthier consumers continue to be battered by long-term stock market losses, and in some cases are trading down.

In November, Nordstrom posted its second consecutive month of year-over-year gains in sales at stores open at least a year, a feat exceeded among department stores only by **Kohl's** Corp., a discount chain.

For the quarter ended Oct. 31, net income rose a better-than-expected 17% and Nordstrom raised its full-year guidance. Analysts expect the company to post a fourth-quarter profit of 65 cents a share, up from 31 cents a year ago, according to Thomson Reuters.

With more than a quarter of its 112 department stores in hard-hit California, Nordstrom felt the bite of the recession in the fall of 2007, earlier than many other chains. In October of that year, after reporting that September sales had fallen short of Nordstrom's plan, Mr. Nordstrom said "we are taking immediate action to bring inventory levels in line."

After the stock market meltdown in autumn of 2008, competitors including Macy's Inc. and Saks Inc. had to resort to fire-sale clearance events—with price cuts reaching and even exceeding 70%—to reduce inventories. Nordstrom was able to avoid such big markdowns, as it had built in downbeat sales assumptions earlier on. While the retailer still had to get supply in line with demand, it was able to do so before the 2008 holiday shopping season was over.

"We didn't find ourselves in a position where we felt we needed to add to our normal promotional rhythms," says Mr. Nordstrom, who has been president since 2000. The retailer agreed to match competitors' prices on specific items but hewed to its rigid sale schedule. It also shaved $130 million off expenses in 2008, partly by postponing store renovations and cutting back on back-office operations.

The Nordstrom family owns about 25% of the company's shares outstanding and occupies three of nine board seats.

Blake Nordstrom's two brothers, Pete and Erik, who also have the title president—of merchandising, and stores, respectively—each started working in the Seattle flagship store's shoe department stockroom at age 12.

The company's revenue is expected to slip 1.2% this year to $8.2 billion and isn't expected to recover to 2008 levels until 2011, according to Capital IQ, a research firm. Its profit margins in the most recent quarter, 35.8%, are still below historic highs of 37.5% in 2006.

Citigroup analyst Deborah Weinswig estimates the typical Nordstrom shopper has an annual household income of roughly $75,000, compared with $175,000 to $300,000 at Saks and Neiman Marcus. She says the $100,000-and-up consumer "is definitely [more] impacted by the wealth effect from the equity markets, and we believe that this is driving the Nordstrom customer's traffic."

Less clear is whether Nordstrom—or any of the big department stores—can sustain an earnings recovery, with only so many ways to generate growth in an environment of high unemployment and scared consumers.

At Nordstrom, one tactic has been a multi-channel attack. After launching a "buy online, pickup in stores" feature last year, the company recently announced it was opening its e-commerce operation to 30 more countries.

Nordstrom also has been working with suppliers to retool its merchandise mix for leaner times. Early this year, it introduced a new "Elie Tahari Exclusive for Nordstrom" line of professional women's clothing priced about 30% lower than Elie Tahari's main collection, which Nordstrom also sells. It introduced an under-$100 brand of jeans called Easy Money, billed on its Web site as a label that "favors your financial assets while enhancing your personal ones."

Nordstrom's average selling price, excluding cosmetics, is down 10% from this time last year, Mr. Nordstrom says.

Pursuing lower-cost goods isn't unique to Nordstrom. Neiman Marcus Group, Saks and Macy's all have broadened their product offerings in response to the weak economy. But even before the recession, Nordstrom offered a wider selection of goods, ranging from $29.95 Crocs plastic clogs to $1,000-plus Jimmy Choo boots.

Bloomberg News

Blake Nordstrom, president, reined in sales forecasts in the fall of 2007, giving the retailer a lean-inventory advantage over some rivals that were caught off guard.

Kristie DeBenedictus, a 27-year-old real estate investor from Las Vegas, likes the buy-online, in-store-pickup service. Being able to see a store's selection and pay in advance online is a real plus, she says. She has bought a Calvin Klein blouse, Ed Hardy perfume and M.A.C. cosmetics using the service.

# Thailand court lifts suspension on Siam Cement joint venture

*Dow Jones Newswires*

BANGKOK—A Thai court lifted the suspension of a **Siam Cement** PCL joint venture in the Map Ta Phut industrial estate, which was among the 65 projects stalled because of environmental concerns.

Siam Yamato Steel wasn't subject to the injunction as it received an operating license on Aug. 22, 2007, two days before the 2007 Constitution was enacted, the Central Administrative Court said.

Siam Yamato is a joint venture of Cementhai Steel Co., which is a unit of Siam Cement, **Mitsui** & Co., and **Sumitomo** Corp.

Earlier this month, the Supreme Administrative Court ruled that 65 of 76 projects at Map Ta Phut industrial estate must remain suspended.

The ruling came after the government appealed a decision by the Administrative Court in late September to issue an injunction to suspend 76 projects valued at 400 billion Thai baht ($12 billion) at the estate. Environmentalists had argued that the permits approved by the government violated the 2007 Constitution.

Meanwhile, Thailand's largest energy conglomerate by revenue **PTT** PCL, said Wednesday it plans to file an appeal for its 13 suspended industrial projects later this week or early next week.

The company will study the case of Siam Mamoto first and will individually file the appeal for each project, said PTT spokesperson Attapol Rerkphiboon.

Among them are nine projects in the cabinet's list of 19 projects that Prime Minister Abhisit Vejjajiva said Tuesday may be able to proceed because they meet similar criteria to those of another 11 projects that a court allowed to go ahead.

However, Prime Minister Abhisit said the companies will have to appeal to the court themselves as the government has no authority to act on their behalf.

# Volatility dip speaks volumes

*Wall Street firms face earnings pinch as stock trading falls to August 2008 levels*

By Randall Smith

On Wall Street, even as the market giveth, the market also taketh away.

The return of calm to the stock market during this year's huge rally has led to a downturn in trading volume. But that is likely to bruise results at firms that got boosts from panic-induced trading surges.

December's average daily stock-market volume is likely to be the lowest since August 2008, even with two high-volume days last week, says Richard Repetto, an analyst who follows stock exchanges at Sandler O'Neill & Partners LP. November's exchange-trading volume was down 25% from a year earlier, according to Barclays Capital.

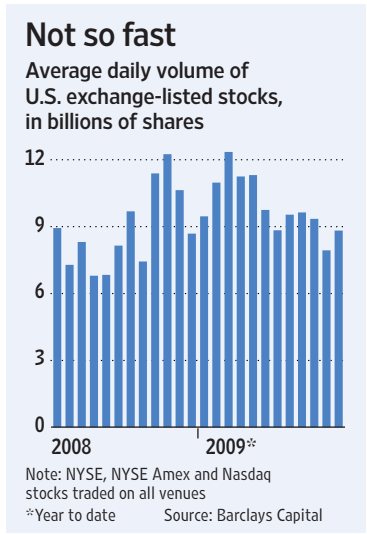
The latest sign that trading volume is hitting speed bumps came Tuesday, when the Chicago Board Options Exchange's volatility index, or VIX, fell below 20 for the first time since August 2008. The widely watched measure of investor fear has tumbled about 75% from its peak, and "lower volatility is typically negative" for stock-trading volume, Mr. Repetto says.

Several analysts have cited lower trading activity as a reason why they are shaving earnings estimates for securities firms from **Morgan Stanley** to **TD Ameritrade Holding** Corp. On Monday, Buckingham Research analysts cut their fourth-quarter profit target for Morgan Stanley in half, blaming a "material slowdown in trading activity" that is "even more pronounced than typical seasonality."

If the pruned estimate pans out, Morgan Stanley's per-share earnings would decline from the third quarter. The New York company posted a large net loss in 2008's fourth quarter due to credit-crunch-related asset write-downs.

December's trading volume spiked last week when **Citigroup** Inc. and **Wells Fargo** & Co. sold shares as part of their exits from the Troubled Asset Relief Program. Volume has declined since then and is expected to remain light for the rest of the month.

Roger Freeman, who follows financial firms at Barclays, said one reason market volume is down lately is that hedge funds "have pulled back risk" on new trades as 2009 winds down. Hedge funds that are in the black for this year don't want to risk giving back profits.




Charles Biderman, chief executive of TrimTabs Investment Research, which tracks supply and demand for stocks, attributes the recent falloff in volume to outflows from stock mutual funds. Individual investors, he says, have been putting money into bonds.

Bond-trading results also look weaker in the fourth quarter than they did in this year's second and third quarters because "dealers likely have not benefited from the same degree of markups on short-term positions as they did," according to Steve Stelmach and Amy DeBone, analysts at FBR Capital Markets.

Especially vulnerable to the downturn are online brokerages such TD Ameritrade, **E*Trade Financial** Corp. and **Charles Schwab** Corp., though Schwab is cushioned by its investment-advisory services business. Ameritrade said last week that average daily trades declined 12% in November from October.

William Gerber, Ameritrade's chief financial officer, says the impact of "a trading drop-off in November" hits a bigger percentage of the brokerage's revenue because interest rates have fallen sharply. The percentage of Ameritrade's revenue that comes from stock trading has climbed to 58% from 40% a year ago, with the rest generated from interest-earning assets.

At **Goldman Sachs Group** Inc., fourth-quarter revenue from fixed income, commodities and currencies will decline 30% from the third quarter, Mr. Freeman predicts.

# Former HSBC executive sentenced to 20 months

By Jonathan Cheng

HONG KONG—A Hong Kong judge sentenced a former senior vice president at **HSBC Holdings** PLC's Hong Kong commercial-banking department to 20 months in jail for accepting a bribe of US$60,000 in exchange for recommending and approving a US$10 million credit facility for a shoe manufacturer.

The banker, Chen Ching-hsiao, was responsible for handling Taiwanese entrepreneurs with business in mainland China when he met the shoe manufacturer, according to Hong Kong investigators. They say that in early 2007, Mr. Chen helped the shoe manufacturer secure a $2 million credit facility, which was eventually increased to more than US$10 million by August 2008.

Mr. Chen, 46 years old, recommended the loans to his supervisor, and after one loan was approved in 2007, Mr. Chen accepted an envelope from the businessman containing the US$60,000 reward. Mr. Chen didn't report the money to the bank, investigators say.

The case came to light after HSBC referred the case to Hong Kong's Independent Commission Against Corruption.

Mr. Chen pleaded guilty to the charge and was ordered to return US$60,000 in restitution to HSBC.

A spokesman for HSBC said the bank cooperated, but he declined to comment further.

# *Asian currencies poised to climb on rate rises*

*Continued from page 17*

Investors will be watching to see if Asian authorities get the timing and magnitude of the rate increases correct. Tightening policy too quickly or too much could choke still-fragile economic recoveries and hit corporate earnings, resulting in currency underperformance even it rates are comparatively high.

Wednesday morning in New York, the dollar lost ground against the yen and the euro after weaker-than-expected U.S. new-home sales figures added to pressure on the dollar in thin pre-holiday trading.

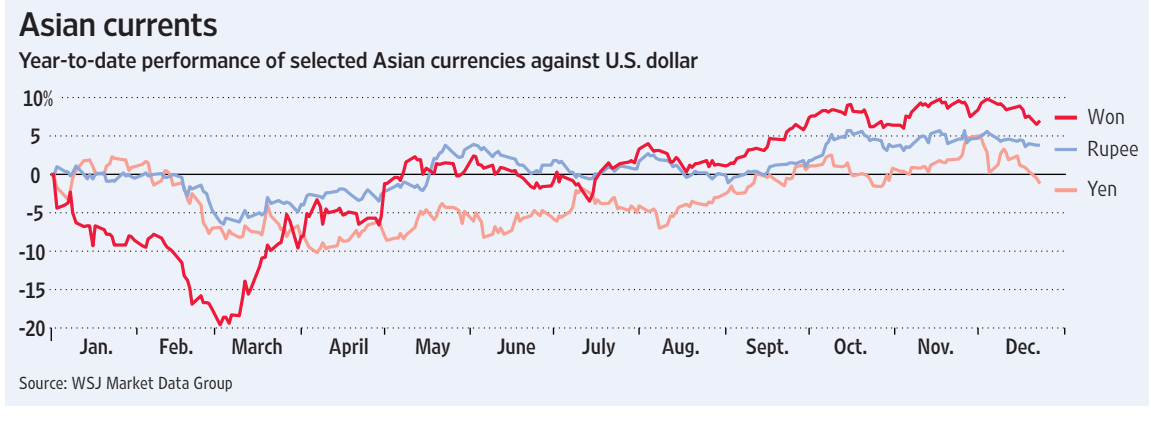
Both the yen and the euro reached session highs after news that sales of single-family homes decreased 11.3% in November.

The dollar had already receded in earlier trading after news that personal income in the U.S. increased 0.4% in November and that spending increased by 0.5%, falling just shy of expectations.

In midday trade in New York, the dollar was at 91.51 yen from 91.80 yen late Tuesday. The euro was at $1.4335, up from $1.4252, and at 131.18 yen from 130.85 yen. The dollar was also at 1.0380 Swiss francs from 1.0487 francs. The pound was at $1.5978 from $1.5976.

The Dollar Index, which tracks the greenback against a trade-weighted basket of currencies, was at 77.87 from 78.289.

Dealers work at a foreign-exchange brokerage in Tokyo.




# Glencore gets cash infusion, may plan IPO

By Peter Lattman And Jeffrey McCracken

**Glencore International** has opened up its equity capital to a group of private-equity, sovereign, institutional and corporate investors by issuing up to $2.2 billion in convertible bonds, it said Wednesday, a cash infusion that could be a precursor to an initial public offering of stock for the closely held Swiss natural-resources trading giant.

The investors include U.S. private-equity firm **First Reserve** Corp., **Government of Singapore Investment** Corp., **BlackRock** and **Zijin Mining Group**.

The targeted deal size was $1.2 billion to $1.5 billion, which was then increased to as much as $2.2 billion "due to strong market demand," Glencore said. The terms of the bonds place an initial pre-conversion equity value on Glencore of $35 billion.

The bonds are unsecured and unsubordinated obligations of Glencore Finance Europe SA and are guaranteed by Glencore International AG and Glencore AG.

"The bonds are convertible at the option of investors into Glencore shares upon a qualifying initial public offering or upon other pre-determined qualifying events," Glencore said.

The cash infusion comes as Glencore, which was founded by former fugitive financier Marc Rich, has tried to recover from sizable losses it sustained during the collapse in the commodities markets late last year. The company generated $45.2 billion in revenue for the first half of 2009, according to its Web site, compared with $86.1 billion in the first half of 2008. Its profits dropped roughly 50% during that six-month stretch.

Glencore is one of the world's largest suppliers of natural resources to large corporations. It controls mines and has major stakes in commodities companies around the world. Considered one of the world's savviest commodities traders, it owns substantial stakes in publicly traded companies **Xstrata**, the Anglo-Swiss miner; **Century Aluminum**, a California aluminum producer; and Australia's **Minara Resources**. Its 36% stake in Xstrata alone is worth roughly $18 billion.

The company is wholly owned by its management, including Chief Executive Ivan Glasenberg.

Based in Baar, Switzerland, Glencore employs more than 2,000 people across more than 40 countries, according to its Web site. Mr. Rich sold his interest in Glencore in 1994.

The investment would be one of the largest ever made by First Reserve, the Greenwich, Conn.-based private-equity firm run by energy investor William Macaulay. In April, the firm closed on a roughly $9 billion buyout fund, among the largest energy-focused funds ever raised.

The investment from First Reserve is important, said people familiar with the matter, because it adds confidence for other institutional investors to put in money.

If Glencore does opt for a public offering in a year or so, which people familiar with the matter said was the company's intent, it would confirm suspicions that Glencore partners were hit hard by last year's downturn.

*—Andrea Hotter contributed to this article*

MARKETS

# Asian-Pacific banking revenue soars

*Global investment banks generated 20% of their fees from the region this year, up from 14% a year earlier*

By Amy Or

HONG KONG—As the world reeled from recession, global investment banks reaped huge payoffs from their Asian-Pacific operations this year, generating 20% of their fees from the region, compared with 14% in 2008.

Asian-Pacific core investment-banking activities generated $10.66 billion in fees in 2009, according to data provided by Dealogic. The rise was due to recapitalizations and a jump in initial public offerings in the second half of the year.

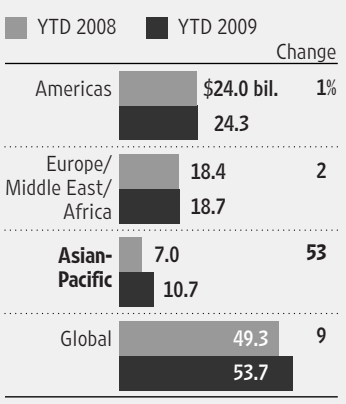
The 2009 figure, while still short of the $11.32 billion recorded by investment banks in the Asian-Pacific region at the height of the market in 2007, was 53% more than the $6.98 billion for 2008. This year, fees generated out of Japan soared 82%, while those in North Asian markets—namely China, Hong Kong and South Korea—climbed 58%.

The fourth quarter was the busiest ever for investment banks in Asia, with revenue reaching $3.8 billion, surpassing $3.6 billion earned in the fourth quarter of 2006, thanks to the wealth of equity deals. The revenue includes equity deals, debt transactions, and mergers-and-acquisition advisory business.

Bankers said, however, that equity deals aren't likely to dominate next year. "The skew that we saw towards equity capital markets should become less pronounced as the business environment improves and more financing options come on line," said Matthew Hanning, **UBS** AG's joint head of Asia investment banking.

**Eastern leap**

**Global core investment-banking net revenue by region and change from previous year**




Note: Core investment banking includes debt capital markets, equity capital markets and M&A. Dealogic Revenue Analytics employed where fees are undisclosed.
Sources: Dealogic; Bloomberg News (photo)

**Right: A Nomura Securities branch in the Shinjuku district of Tokyo**

For the year through to Dec. 18, **Nomura Holdings** Inc. topped the investment-banking-fee league tables for a second year, with $1.31 billion in revenue, leading the rest of the pack by a wide margin. Runner-up UBS earned $724 million, while Japan's **Daiwa Securities SMBC** Co. was third, with revenue of $621 million.

Nomura's leading position was mostly due to the long list of Japanese banks that raised funds to recapitalize, including Mitsubishi UFJ Financial Group Inc., Sumitomo Mitsui Financial Group Inc. and Nomura itself. Without that activity, Nomura and Daiwa dropped out of the top 10 investment-banking-fee earners in the region.

"Japanese, European and U.S. banks have benefited from their respective financial institutions recapitalizing over the past year. The only ones that haven't benefited from that flow [if Japan is stripped out] are Asian banks," said Geoffrey Feldkamp, Nomura's head of Asia equity capital markets.

On the M&A front, completed deals amounted to a low $404.9 billion in 2009, against $591.7 billion last year. One notable exception to the slackened interest in deals was China's $300 billion sovereign-wealth fund, **China Investment Corp.**, which announced more than $8.15 billion worth of acquisitions throughout the year.

"A lot of investments have been made in the natural-resources and commodities sectors. Right now, there's relatively less competition for these investments, as the Russians and the Indians are not there to bid up the price. So CIC has taken advantage of the favorable market dynamics and has invested at an opportune time," said Colin Banfield, Nomura's head of M&A for Asian-Pacific excluding Japan.

He said he expects CIC to continue its buying spree next year.

Bankers also have high hopes for India, where they expect that companies will re-emerge after taking a back-seat due to lack of financing.

The volume of India-related M&A was $22.5 billion this year, half of the $46.7 billion last year.

# Hot sellers: failed-bank loans

By Lingling Wei

Investors are jostling for the chance to buy a $1.1 billion package of commercial-real-estate loans extended by failed U.S. banks, as these once-toxic assets attract growing interest.

More than a dozen investors, including Texas banker Andrew Beal, have submitted bids to the Federal Deposit Insurance Corp. for the portfolio of loans held by Franklin Bank, IndyMac Bank and other failed lenders, according to people familiar with the matter.

The portfolio represents only a fraction of the real-estate loans held by the FDIC, and the volume is mounting as more banks fail.

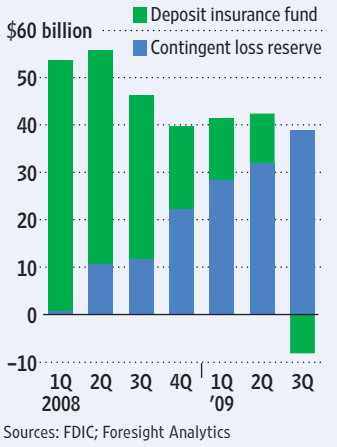
The FDIC, which declined to comment on pending transactions, is expected to announce the winning bidder within weeks in what will be its second-largest bulk sale of commercial-property assets since the downturn. The largest deal involved the sale in October of about $5 billion in condominium loans and other property made by now-defunct Corus Bank.

Demand for these assets, at a discounted price, has become intense. Investors have amassed billions of dollars to buy distressed loans and property much as investors such as Sam Zell did in the early 1990s.

"A lot of investors are anxious to invest cash they have raised," said David Tobin, a principal with Mission Capital Advisors, a loan-sale adviser.

**Minding the gap**

**The FDIC's deposit-insurance fund shrinks while the estimated costs of bank failures balloons.**




Sources: FDIC; Foresight Analytics

But many banks won't sell. Some, especially community and regional banks, haven't marked down the value of their existing loan portfolios to current market rates—something that could jeopardize the survival of weaker lenders. Many hope the low cost of funds offered by historically low interest rates will enable them to earn their way out of trouble.

"They don't want to be blowing the entire mess out at the low point of the cycle," says John Howley, an executive director and specialist in loan sales at Cushman & Wakefield, a real-estate firm.

That makes the FDIC practically the only game in town.

The agency has to sell off a rising pipeline of real-estate assets acquired from banks that collapsed after lending too aggressively to owners of offices, shopping malls, apartments and other commercial property.

Demand for its current package of loans is a consolation of sorts for the FDIC, which is trying to limit taxpayer losses and shore up its deposit-insurance fund. An avalanche of bank failures wiped out the fund in the third quarter of this year, putting it at negative $8.2 billion at the end of September.

While the loans are expected to be sold for a steep discount, experts say, the competition should drive the price higher.

Despite the interest from investors, the FDIC faces increasing challenges to unload the assets. A total of 140 U.S. banks have gone belly up this year. Currently, the FDIC has about $30 billion in real-estate debt held by failed banks that is available for sale in the next 12 months, according to the agency. That figure is double the level a year ago.

In most FDIC deals involving failed banks in the downturn, the agency has lined up buyers to take over loans, deposits, branches and most other assets when the banks failed. But for some failed banks, the FDIC has decided to sell some hard-to-value assets separately.

# Dubai World exposure to weigh on banks in '10

By Mirna Sleiman

DUBAI—Dubai's debt crisis will continue to hang over the earnings and credit quality of banks in 2010, Standard & Poor's said in a report on the global outlook for credit markets.

"Indeed, the fallout from **Dubai World**'s Nov. 25 announcement that it has requested a six-month moratorium on its $26 billion debt payments—subsequently diminished by news of a bailout by Abu Dhabi—illustrated amply the fears of further bank balance-sheet impairment," the ratings provider said.

More than 90 creditors are in talks with Dubai World, once a crown jewel in the business empire of Dubai's ruler, Sheik Mohammed bin Rashid Al Maktoum, to reach an agreement on a formal debt standstill for the conglomerate, which has almost $60 billion of total liabilities. Negotiations are expected to be slow.

"This serves as a continued reminder that the impact from deflating property prices globally has yet to fully run its course," S&P added.

Abu Dhabi, the oil-rich capital of the seven-member United Arab Emirates, pumped $10 billion into Dubai's financial-support fund last week by buying its bonds.

Part of the money is being used to pay off holders of a $3.52 billion Islamic bond issued by Dubai World's real-estate unit Nakheel, known for its development of three palm-shaped islands.

# Buffett sells more of Moody's

By Robert McGough

NEW YORK—For the third time this month, billionaire investor Warren Buffett's **Berkshire Hathaway** Inc. sold shares of **Moody's** Corp., shedding just under 88,000 shares on Friday, according to a securities filing.

Berkshire, which sold 6.2 million Moody's shares earlier this month, has been selling shares regularly since the summer. The most recent sale brings Berkshire's ownership down to around 31.8 million shares, or 13.4% of Moody's.

Berkshire sold the shares for $26.7682 apiece, the filing said. That means the sale raised less than $2.4 million. Moody's shares were nearly flat late morning at $27.34.

The Omaha, Neb., conglomerate reported selling 1.2 million shares of Moody's in October, close to 800,000 shares in September and 8 million shares in July.

# Crude-oil prices rise on bullish storage data

By Brian Baskin

NEW YORK—Crude-oil prices rose on a report that U.S. oil and fuel inventories fell more than expected, signaling a long-awaited tightening of supplies may be here.

**COMMODITIES TRADING**

Light, sweet crude futures for February delivery were up $1.97, or 2.6% at $76.37 a barrel in early afternoon trade on the New York Mercantile Exchange. Brent crude on the ICE futures exchange was up $1.45 at $74.91 a barrel.

Oil inventories plunged by 4.8 million barrels in the week ended Friday, the U.S. Energy Information Administration reported, far exceeding the average one-million-barrel decline expected by analysts, according to a Dow Jones Newswires survey. The decline—the third in as many weeks—brings oil inventories to the lowest point since January.

Fuel stockpiles also fell more than expected, including a three-million-barrel decline in distillate inventories, including heating oil and diesel, where analysts had forecasted a 2.3-million-barrel drop. Gasoline stocks fell by 900,000 barrels. Analysts had predicted an 800,000-barrel increase.

Oil prices have held above $70 a barrel for months as traders waited for signs that surplus supplies built up during the recession were dwindling.

# Treasury prices mixed

By Min Zeng

NEW YORK—The Treasury market was mixed as it tried to break a three-session losing streak on Wednesday.

**U.S. CREDIT MARKETS**

Prices rose early as weak data on new-home sales dented the optimism for the strength of a U.S. economic recovery. Buyers also returned as a separate report showed little sign of inflation and the recent selling made bonds attractive. Long-dated Treasurys led the rally as they are most sensitive to inflation, which eats into their fixed returns over time.

The yield on the 10-year note touched an intraday low of 3.684% in midmorning trade after hitting 3.779% overnight, the highest level since 3.791% on Aug. 12.

But by 11 a.m. EST, the two-year Treasury note was down 1/32 at 99 22/32, for a yield of 0.905%, while the 10-year note was up 5/32 at 97 3/32 to yield 3.728%. The 30-year bond was up 4/32 to 97 13/32 to yield 4.597%. Bond prices move inversely to their yields.

# Asian bond issuance hit record in 2009

By Ditas Lopez

SINGAPORE—Asian governments and companies issued a record volume of bonds this year, led by a sharp rise in debt sales from China, where the government—as elsewhere—is boosting spending to help the economy cope with the global economic downturn.

Local and international bond issuance in Asia Pacific totaled a preliminary $898 billion in 2009, rising 63% from last year, according to data provider Dealogic.

The increase exceeded the 36% rise in bond issuance globally and the 48% increase in Europe, Middle East and Africa and the 18% climb in the U.S. While Japan remained the Asian-Pacific region's busiest market by issuance, China took over from Australia as the busiest in the rest of the region.

This strong growth in China's debt issuance could extend to coming years, some analysts say.

"China is undergoing a shift in its economy, which is natural for any country passing the $6,000-per-capita GDP mark," Paul Schulte, a strategist for Asia at Nomura International, wrote in a note last week. "At this phase, credit growth should be very high. Capital-market activity should accelerate."

Chinese bond issuance more than doubled to a record $208.4 billion, Dealogic said. The figure includes local and international bonds, as well as real-estate mortgage-backed securities. Companies issued $127.9 billion of debt, almost three times the $50 billion raised in 2008, Dealogic said.

In Australia, domestic and offshore bond issuance reached a record $171.6 billion, more than double the $80.2 billion raised in 2008.

Japan issued a record $284.4 billion in bonds in 2009, up 32%, driven by record sales from financial companies, which have issued $118.7 billion in bonds this year, Dealogic said.

In all of the Asian-Pacific region, bonds denominated in local currencies reached $376.7 billion, up 61%, while those denominated in U.S. dollars, euro or yen hit $65.3 billion, nearly triple the so-called G3 currency volume of $22.4 billion last year, Dealogic said.

# FUND SCORECARD

## Korea Equity

Funds that invest primarily in the equities of South-Korean companies. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending December 23, 2009

### Leading 15 Performers

| FUND RATING* | FUND NAME | FUND MGM'T CO. | CURR. | LEGAL BASE | % Return in $US** YTD | 1-YR | 2-YR | 5-YR |
|---|---|---|---|---|---|---|---|---|
| 4 | **Atlantis Korean Smaller Comp** | Atlantis Investment Management Limited | USD | Ireland | **66.61** | 70.12 | -11.42 | 14.38 |
| 2 | **New Star Glbl Korean** | New Star Asset Management Limited | USD | Luxembrg | **51.45** | 68.42 | -21.59 | 7.83 |
| 4 | **iShares MSCI Korea** | iShares Plc | USD | Ireland | **71.56** | 66.28 | -13.76 | NS |
| 2 | **FF - Korea A USD** | Fidelity (FIL (Luxembourg) S.A.) | USD | Luxembrg | **59.37** | 62.85 | -17.39 | 12.85 |
| 1 | **Templeton Korea A Acc $** | Franklin Templeton Investment Funds | USD | Luxembrg | **63.04** | 62.54 | -17.37 | 6.73 |
| 2 | **Korea International Investment** | International Investment Advisers LLC | USD | British VI | **55.59** | 62.43 | -14.87 | 7.72 |
| NS | **db x-trackers MSCI Korea TRN Index** | DB Platinum Advisors | USD | Luxembrg | **65.02** | 62.11 | -13.90 | NS |
| NS | **Parvest South Korea C** | BNP Paribas | USD | Luxembrg | **64.76** | 60.99 | NS | NS |
| NS | **JF Korea Eq A (acc)-EUR** | JPMorgan Asset Mgmt (Europe) S.a.r.l. | EUR | Luxembrg | **63.07** | 58.37 | -9.66 | NS |
| 3 | **Baring Korea Trust** | Baring Fund Managers Ltd | GBP | United Kingdom | **57.25** | 58.15 | -20.25 | 9.89 |

**NOTE**: Changes in currency rates will affect performance and rankings.
**KEY**: ** 2YR and 5YR performance is annualized
**NA**-not available due to incomplete data;
**NS**-fund not in existence for entire period

**Source**: Morningstar, Ltd
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# INTERNATIONAL INVESTMENT FUNDS [ Search by company, category or country at asia.WSJ.com/funds ]

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| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | —%RETURN— YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
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| *www.ahw-capital.com* | | | | | | | | | |
| AHW Top-Div.Int. | GL | EQ | LUX | 12/22 | EUR | 54.20 | 20.2 | 21.1 | -28.2 |
| **AllianceBernstein** | | | | | | | | | |
| **■ ALLIANCE BERNSTEIN** | | | | | | | | | |
| *www.alliancebernstein.com/investments Tel. +800 2263 8637* | | | | | | | | | |
| Am Eq Blend A | OT | OT | LUX | 12/22 | USD | 10.36 | 26.2 | 30.8 | -15.7 |
| Am Eq Blend B | US | EQ | LUX | 12/22 | USD | 9.74 | 25.0 | 29.7 | -16.5 |
| Am Growth A | US | EQ | LUX | 12/22 | USD | 30.99 | 35.3 | 51.8 | -7.2 |
| Am Growth AX | US | EQ | LUX | 12/22 | USD | 33.44 | 36.0 | 52.6 | -6.7 |
| Am Growth B | US | EQ | LUX | 12/22 | USD | 26.06 | 34.0 | 50.2 | -8.2 |
| Am Growth C | US | EQ | LUX | 12/22 | USD | 28.04 | 34.7 | 51.1 | -7.6 |
| Am Growth I | US | EQ | LUX | 12/22 | USD | 34.34 | 36.4 | 53.0 | -6.5 |
| Am Income A | US | BD | LUX | 12/22 | USD | 8.43 | 24.4 | 26.4 | 5.4 |
| Am Income A2 | US | BD | LUX | 12/22 | USD | 19.00 | 24.8 | 26.3 | 5.4 |
| Am Income A2 | OT | OT | NA | 12/22 | HKD | 147.35 | NS | NS | NS |
| Am Income AT | OT | OT | NA | 12/22 | HKD | 65.38 | NS | NS | NS |
| Am Income AT | US | BD | LUX | 12/22 | USD | 8.43 | 24.8 | 26.2 | 5.4 |
| Am Income B | US | BD | LUX | 12/22 | USD | 8.43 | 23.5 | 25.3 | 4.6 |
| Am Income B2 | US | BD | LUX | 12/22 | USD | 16.38 | 24.0 | 25.4 | 4.7 |
| Am Income B2 | OT | OT | NA | 12/22 | HKD | 127.04 | NS | NS | NS |
| Am Income BT | OT | OT | NA | 12/22 | HKD | 65.77 | NS | NS | NS |
| Am Income BT | US | BD | LUX | 12/22 | USD | 8.48 | 24.1 | 25.4 | 4.7 |
| Am Income C | US | BD | LUX | 12/22 | USD | 8.43 | 23.8 | 25.7 | 4.9 |
| Am Income C2 | US | BD | LUX | 12/22 | USD | 24.36 | 24.3 | 25.8 | 4.9 |
| Am Income I | US | BD | LUX | 12/22 | USD | 8.43 | 25.1 | 27.1 | 6.1 |
| Am Value A | US | EQ | LUX | 12/22 | USD | 8.57 | 18.9 | 24.7 | -14.7 |
| Am Value B | US | EQ | LUX | 12/22 | USD | 7.89 | 17.6 | 23.5 | -15.5 |
| Am Value C | US | EQ | LUX | 12/22 | USD | 8.57 | 18.2 | 24.2 | -15.1 |
| Am Value I | US | EQ | LUX | 12/22 | USD | 9.22 | 19.7 | 25.8 | -14.0 |
| Emg Mkts Debt A | GL | BD | LUX | 12/22 | USD | 15.54 | 43.3 | 44.7 | 7.6 |
| Emg Mkts Debt A2 | GL | BD | LUX | 12/22 | USD | 20.04 | 44.0 | 44.7 | 7.6 |
| Emg Mkts Debt AT | GL | BD | LUX | 12/22 | USD | 15.63 | 44.0 | 44.8 | 7.6 |
| Emg Mkts Debt B | GL | BD | LUX | 12/22 | USD | 15.54 | 42.1 | 43.3 | 6.5 |
| Emg Mkts Debt B2 | GL | BD | LUX | 12/22 | USD | 19.31 | 42.6 | 43.2 | 6.5 |
| Emg Mkts Debt BT | GL | BD | LUX | 12/22 | USD | 15.61 | 42.6 | 43.2 | 6.5 |
| Emg Mkts Debt C | GL | BD | LUX | 12/22 | USD | 15.54 | 42.7 | 44.1 | 7.1 |
| Emg Mkts Debt C2 | GL | BD | LUX | 12/22 | USD | 19.70 | 43.4 | 44.0 | 7.1 |
| Emg Mkts Debt I | GL | BD | LUX | 12/22 | USD | 15.54 | 44.0 | 45.4 | 8.2 |
| Emg Mkts Growth A | GL | EQ | LUX | 12/22 | USD | 33.58 | 67.6 | 71.2 | -14.6 |
| Emg Mkts Growth B | GL | EQ | LUX | 12/22 | USD | 28.47 | 66.0 | 69.5 | -15.4 |
| Emg Mkts Growth C | GL | EQ | LUX | 12/22 | USD | 29.11 | 66.8 | 70.3 | -14.9 |
| Emg Mkts Growth I | GL | EQ | LUX | 12/22 | USD | 37.21 | 68.8 | 72.4 | -13.9 |
| Eur Growth A | OT | OT | LUX | 12/22 | USD | 9.88 | 24.4 | 29.3 | -18.6 |
| Eur Growth A | OT | OT | LUX | 12/22 | EUR | 6.93 | 24.4 | 29.3 | -18.6 |
| Eur Growth B | OT | OT | LUX | 12/22 | EUR | 6.23 | 23.1 | 28.2 | -19.4 |
| Eur Growth B | OT | OT | LUX | 12/22 | USD | 8.88 | 23.1 | 28.2 | -19.4 |
| Eur Growth C | EU | EQ | LUX | 12/22 | EUR | 5.25 | 23.8 | 28.7 | -19.0 |
| Eur Growth I | OT | OT | LUX | 12/22 | USD | 10.78 | 25.4 | 30.6 | -18.0 |
| Eur Growth I | OT | OT | LUX | 12/22 | EUR | 7.56 | 25.4 | 30.6 | -18.0 |
| Eur Income A | OT | OT | LUX | 12/22 | EUR | 6.62 | 39.3 | 39.9 | 4.0 |
| Eur Income A | OT | OT | LUX | 12/22 | USD | 9.44 | 39.3 | 39.9 | 4.0 |
| Eur Income A2 | OT | OT | LUX | 12/22 | EUR | 12.89 | 40.0 | 39.8 | 4.0 |
| Eur Income A2 | OT | OT | LUX | 12/22 | USD | 18.37 | 40.0 | 39.8 | 4.0 |
| Eur Income AT | EU | BD | LUX | 12/22 | EUR | 6.63 | 39.8 | 39.9 | 4.0 |
| Eur Income B | OT | OT | LUX | 12/22 | EUR | 6.62 | 38.5 | 39.0 | 3.3 |
| Eur Income B | OT | OT | LUX | 12/22 | USD | 9.44 | 38.5 | 39.0 | 3.3 |
| Eur Income B2 | OT | OT | LUX | 12/22 | EUR | 11.99 | 38.9 | 38.8 | 3.3 |
| Eur Income B2 | OT | OT | LUX | 12/22 | USD | 17.09 | 38.9 | 38.8 | 3.3 |
| Eur Income BT | EU | BD | LUX | 12/22 | EUR | 6.63 | 39.0 | 38.7 | 3.3 |
| Eur Income C | OT | OT | LUX | 12/22 | EUR | 6.62 | 38.8 | 39.3 | 3.5 |
| Eur Income C | OT | OT | LUX | 12/22 | USD | 9.44 | 38.8 | 39.3 | 3.5 |
| Eur Income C2 | OT | OT | LUX | 12/22 | EUR | 12.85 | 39.4 | 39.2 | 3.6 |
| Eur Income C2 | OT | OT | LUX | 12/22 | USD | 18.32 | 39.4 | 39.2 | 3.6 |
| Eur Income I | OT | OT | LUX | 12/22 | EUR | 6.62 | 39.9 | 40.6 | 4.5 |
| Eur Income I | OT | OT | LUX | 12/22 | USD | 9.44 | 39.9 | 40.6 | 4.5 |
| Eur Strat Value A | OT | OT | LUX | 12/22 | EUR | 8.44 | 21.3 | 27.1 | -22.2 |
| Eur Strat Value A | OT | OT | LUX | 12/22 | USD | 12.03 | 21.3 | 27.1 | -22.2 |
| Eur Strat Value I | OT | OT | LUX | 12/22 | EUR | 8.64 | 22.2 | 28.2 | -21.5 |
| Eur Strat Value I | OT | OT | LUX | 12/22 | USD | 12.32 | 22.2 | 28.2 | -21.5 |
| Eur Value A | OT | OT | LUX | 12/22 | EUR | 9.11 | 25.1 | 31.1 | -19.1 |
| Eur Value A | OT | OT | LUX | 12/22 | USD | 12.99 | 25.1 | 31.1 | -19.1 |
| Eur Value B | OT | OT | LUX | 12/22 | USD | 11.95 | 23.8 | 29.7 | -19.9 |
| Eur Value B | OT | OT | LUX | 12/22 | EUR | 8.38 | 23.8 | 29.7 | -19.9 |
| Eur Value C | OT | OT | LUX | 12/22 | USD | 12.56 | 24.4 | 30.5 | -19.5 |
| Eur Value C | OT | OT | LUX | 12/22 | EUR | 8.81 | 24.4 | 30.5 | -19.5 |
| Eur Value I | OT | OT | LUX | 12/22 | USD | 15.00 | 26.0 | 32.2 | -18.5 |
| Eur Value I | OT | OT | LUX | 12/22 | EUR | 10.52 | 26.0 | 32.2 | -18.5 |
| GI Balanced (Euro) A | OT | OT | LUX | 12/22 | USD | 16.31 | 20.7 | 23.8 | -11.6 |
| GI Balanced (Euro) B | OT | OT | LUX | 12/22 | USD | 15.89 | 19.5 | 22.5 | -12.5 |
| GI Balanced (Euro) C | OT | OT | LUX | 12/22 | USD | 16.18 | 20.4 | 23.4 | -11.9 |
| GI Balanced (Euro) I | OT | OT | LUX | 12/22 | USD | 16.61 | NS | NS | NS |
| GI Balanced A | US | BA | LUX | 12/22 | USD | 16.41 | 23.5 | 26.5 | -10.9 |
| GI Balanced B | US | BA | LUX | 12/22 | USD | 15.61 | 22.3 | 25.3 | -11.8 |
| GI Balanced C | OT | OT | LUX | 12/22 | USD | 16.17 | 23.2 | 26.1 | -11.1 |
| GI Balanced C | OT | OT | LUX | 12/22 | EUR | 11.34 | 23.2 | 26.1 | -11.1 |
| GI Balanced I | US | BA | LUX | 12/22 | USD | 17.02 | 24.3 | 27.4 | -10.3 |
| GI Bond A | US | BD | LUX | 12/22 | USD | 9.27 | 12.6 | 13.6 | 4.8 |
| GI Bond A2 | US | BD | LUX | 12/22 | USD | 16.05 | 12.9 | 13.6 | 4.8 |
| GI Bond A2 | OT | OT | NA | 12/22 | HKD | 124.48 | 12.9 | 13.6 | 4.8 |
| GI Bond AT | OT | OT | LUX | 12/22 | HKD | 71.97 | 13.0 | 13.6 | 4.8 |
| GI Bond AT | US | BD | LUX | 12/22 | USD | 9.28 | 13.0 | 13.6 | 4.8 |
| GI Bond B | US | BD | LUX | 12/22 | USD | 9.27 | 11.6 | 12.5 | 3.7 |
| GI Bond B2 | US | BD | LUX | 12/22 | USD | 14.06 | 11.9 | 12.5 | 3.8 |
| GI Bond B2 | OT | OT | NA | 12/22 | HKD | 109.04 | 11.9 | 12.5 | 3.8 |
| GI Bond BT | OT | OT | LUX | 12/22 | HKD | 72.20 | 11.8 | 12.4 | 3.8 |
| GI Bond BT | US | BD | LUX | 12/22 | USD | 9.31 | 11.8 | 12.4 | 3.8 |
| GI Bond C | US | BD | LUX | 12/22 | USD | 9.27 | 12.2 | 13.1 | 4.3 |
| GI Bond C2 | US | BD | LUX | 12/22 | USD | 13.93 | 12.4 | 13.1 | 4.3 |
| GI Bond I | US | BD | LUX | 12/22 | USD | 9.27 | 13.2 | 14.2 | 5.4 |
| GI Conservative A | US | BA | LUX | 12/22 | USD | 14.86 | 15.3 | 17.0 | -4.3 |
| GI Conservative A2 | US | BA | LUX | 12/22 | USD | 16.91 | 16.0 | 17.7 | -4.1 |
| GI Conservative B | US | BA | LUX | 12/22 | USD | 14.85 | 14.5 | 16.1 | -5.2 |
| GI Conservative B2 | US | BA | LUX | 12/22 | USD | 16.07 | 14.9 | 16.4 | -5.0 |
| GI Conservative C | US | BA | LUX | 12/22 | USD | 14.85 | 14.9 | 16.5 | -4.7 |
| GI Conservative C2 | US | BA | LUX | 12/22 | USD | 16.54 | 15.5 | 17.1 | -4.5 |
| GI Conservative I | US | BA | LUX | 12/22 | USD | 14.92 | 16.1 | 17.8 | -3.7 |
| GI Eq Blend A | GL | EQ | LUX | 12/22 | USD | 11.57 | 29.4 | 34.5 | -21.5 |
| GI Eq Blend B | GL | EQ | LUX | 12/22 | USD | 10.86 | 28.2 | 33.1 | -22.3 |
| GI Eq Blend C | GL | EQ | LUX | 12/22 | USD | 11.36 | 28.8 | 33.8 | -21.9 |
| GI Eq Blend I | GL | EQ | LUX | 12/22 | USD | 12.20 | 30.5 | 35.6 | -20.9 |
| GI Growth A | GL | EQ | LUX | 12/22 | USD | 41.47 | 28.6 | 33.1 | -22.7 |
| GI Growth B | GL | EQ | LUX | 12/22 | USD | 34.63 | 27.4 | 31.8 | -23.4 |
| GI Growth C | GL | EQ | LUX | 12/22 | USD | 39.80 | 28.0 | 32.5 | -23.0 |
| GI Growth I | GL | EQ | LUX | 12/22 | USD | 46.04 | 29.6 | 34.2 | -22.0 |
| GI High Yield A | US | BD | LUX | 12/22 | USD | 4.30 | 58.4 | 62.7 | 4.0 |
| GI High Yield A2 | US | BD | LUX | 12/22 | USD | 9.18 | 59.4 | 62.5 | 3.9 |
| GI High Yield A2 | OT | OT | NA | 12/22 | HKD | 71.20 | 59.4 | 62.5 | 3.9 |
| GI High Yield AT | OT | OT | NA | 12/22 | HKD | 33.12 | 59.4 | 62.1 | 3.8 |
| GI High Yield AT | US | BD | LUX | 12/22 | USD | 4.27 | 59.4 | 62.1 | 3.8 |
| GI High Yield B | US | BD | LUX | 12/22 | USD | 4.30 | 56.5 | 60.6 | 2.7 |
| GI High Yield B2 | US | BD | LUX | 12/22 | USD | 14.76 | 57.9 | 60.8 | 2.9 |
| GI High Yield B2 | OT | OT | NA | 12/22 | HKD | 114.47 | 57.9 | 60.8 | 2.9 |
| GI High Yield BT | OT | OT | NA | 12/22 | HKD | 33.66 | 57.4 | 60.4 | 2.9 |
| GI High Yield BT | US | BD | LUX | 12/22 | USD | 4.34 | 57.4 | 60.4 | 2.9 |
| GI High Yield C | US | BD | LUX | 12/22 | USD | 4.30 | 57.6 | 61.8 | 3.5 |
| GI High Yield C2 | US | BD | LUX | 12/22 | USD | 13.61 | 58.8 | 61.6 | 3.5 |
| GI High Yield I | US | BD | LUX | 12/22 | USD | 4.30 | 59.5 | 63.9 | 4.7 |
| GI Thematic Res. A | OT | OT | LUX | 12/22 | USD | 14.52 | 65.9 | 69.6 | -4.2 |
| GI Thematic Res. B | OT | OT | LUX | 12/22 | USD | 12.71 | 64.4 | 67.9 | -5.1 |
| GI Thematic Res. I | OT | OT | LUX | 12/22 | USD | 16.19 | 67.3 | 71.0 | -3.4 |
| GI Value A | GL | EQ | LUX | 12/22 | USD | 11.07 | 30.4 | 35.8 | -20.4 |
| GI Value B | GL | EQ | LUX | 12/22 | USD | 10.18 | 29.2 | 34.7 | -21.2 |
| GI Value C | GL | EQ | LUX | 12/22 | USD | 10.76 | 29.8 | 35.3 | -20.8 |
| GI Value I | GL | EQ | LUX | 12/22 | USD | 11.77 | 31.4 | 36.9 | -19.8 |
| Greater China A | AS | EQ | LUX | 12/22 | USD | 38.70 | 50.9 | 52.5 | -18.2 |
| Greater China B | AS | EQ | LUX | 12/22 | USD | 34.26 | 49.4 | 51.1 | -19.0 |
| Greater China C | AS | EQ | LUX | 12/22 | USD | 38.22 | 50.2 | 51.9 | -18.6 |
| India Growth A | OT | OT | LUX | 12/22 | USD | 122.06 | NS | NS | NS |
| India Growth AX | OT | OT | LUX | 12/22 | USD | 106.68 | 84.7 | 73.1 | -11.8 |
| India Growth B | OT | OT | LUX | 12/22 | USD | 127.90 | NS | NS | NS |
| India Growth BX | OT | OT | LUX | 12/22 | USD | 91.21 | 82.9 | 71.4 | -12.7 |
| India Growth I | EA | EQ | LUX | 12/22 | USD | 110.54 | 85.4 | 73.8 | -11.5 |
| Int'l Health Care A | OT | EQ | LUX | 12/22 | USD | 137.93 | 17.5 | 19.8 | -8.7 |
| Int'l Health Care B | OT | EQ | LUX | 12/22 | USD | 116.37 | 16.3 | 18.6 | -9.6 |
| Int'l Health Care C | OT | EQ | LUX | 12/22 | USD | 132.21 | 17.0 | 19.3 | -9.1 |
| Int'l Health Care I | OT | EQ | LUX | 12/22 | USD | 150.67 | 18.4 | 20.7 | -8.0 |
| Int'l Technology A | OT | EQ | LUX | 12/22 | USD | 108.83 | 48.8 | 52.5 | -12.8 |
| Int'l Technology B | OT | EQ | LUX | 12/22 | USD | 94.33 | 47.3 | 51.0 | -13.7 |
| Int'l Technology C | OT | EQ | LUX | 12/22 | USD | 105.18 | 48.1 | 51.8 | -13.2 |
| Int'l Technology I | OT | EQ | LUX | 12/22 | USD | 122.00 | 49.9 | 53.7 | -12.1 |
| Japan Eq Blend A | JP | EQ | LUX | 12/22 | JPY | 5970.00 | 11.3 | 16.7 | -23.7 |
| Japan Eq Blend B | JP | EQ | LUX | 12/22 | JPY | 5762.00 | 10.2 | 15.5 | -24.5 |
| Japan Eq Blend C | JP | EQ | LUX | 12/22 | JPY | 5875.00 | 10.8 | 16.2 | -24.0 |
| Japan Growth A | JP | EQ | LUX | 12/22 | JPY | 5826.00 | 4.7 | 8.9 | -24.3 |
| Japan Growth B | JP | EQ | LUX | 12/22 | JPY | 5624.00 | 3.7 | 7.8 | -25.1 |
| Japan Growth C | JP | EQ | LUX | 12/22 | JPY | 5734.00 | 4.3 | 8.4 | -24.7 |
| Japan Strat Value A | JP | EQ | LUX | 12/22 | JPY | 6063.00 | 17.6 | 24.6 | -23.5 |
| Japan Strat Value B | JP | EQ | LUX | 12/22 | JPY | 5857.00 | 16.4 | 23.3 | -24.3 |
| Japan Strat Value C | JP | EQ | LUX | 12/22 | JPY | 5962.00 | 17.0 | 24.0 | -23.9 |
| Real Estate Sec. A | OT | EQ | LUX | 12/22 | USD | 14.13 | 32.4 | 38.0 | -15.7 |
| Real Estate Sec. B | OT | EQ | LUX | 12/22 | USD | 12.92 | 31.2 | 36.7 | -16.5 |
| Real Estate Sec. I | OT | EQ | LUX | 12/22 | USD | 15.18 | 33.4 | 39.1 | -15.0 |
| Short Mat Dollar A | US | BD | LUX | 12/22 | USD | 7.25 | 11.1 | 12.2 | -5.9 |
| Short Mat Dollar A2 | US | BD | LUX | 12/22 | USD | 9.76 | 11.4 | 12.1 | -6.0 |
| Short Mat Dollar AT | US | BD | LUX | 12/22 | USD | 7.25 | 11.4 | 12.2 | -6.0 |
| Short Mat Dollar B | US | BD | LUX | 12/22 | USD | 7.25 | 10.7 | 11.7 | -6.4 |
| Short Mat Dollar B2 | US | BD | LUX | 12/22 | USD | 9.71 | 10.8 | 11.6 | -6.4 |
| Short Mat Dollar BT | OT | OT | LUX | 12/22 | USD | 7.27 | 10.3 | 11.1 | -6.7 |
| Short Mat Dollar C | US | BD | LUX | 12/22 | USD | 7.25 | 10.7 | 11.7 | -6.4 |
| Short Mat Dollar C2 | US | BD | LUX | 12/22 | USD | 13.74 | 11.0 | 11.6 | -6.4 |
| Short Mat Dollar I | US | BD | LUX | 12/22 | USD | 7.25 | 11.7 | 12.8 | -5.4 |

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| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | —%RETURN— YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| **■ ALEXANDRA INVESTMENT MANAGEMENT** | | | | | | | | | |
| *Tel: +1 212 301 1800 Fax: +1 212 301 1810* | | | | | | | | | |
| Alexandra Convertible Bond Fund I, Ltd. (Class A) | OT | OT | VGB | 11/30 | USD | 1616.75 | 66.9 | 72.1 | NS |
| **■ CREDIT PACIFIC ASSET MANAGMENT** | | | | | | | | | |
| *www.creditpacific.com* | | | | | | | | | |
| CPS-Master Priv Fund | GL | OT | WSM | 12/16 | USD | 121.52 | 21.5 | 21.5 | 9.4 |
| **PLATINUM CAPITAL MANAGEMENT** | | | | | | | | | |
| **■ PLATINUM CAPITAL MANAGEMENT** | | | | | | | | | |
| *Tel: +44 207 024 9840, www.platinumfunds.net* | | | | | | | | | |
| Platinm-All Star | OT | OT | CYM | 10/30 | USD | 95.07 | 13.2 | 5.7 | -13.4 |
| Platinm-All Weather | OT | OT | USA | 10/31 | USD | 129.92 | 2.4 | 3.2 | 3.8 |
| Platinm-Dynasty | OT | OT | USA | 10/30 | USD | 108.45 | 5.5 | 2.5 | -34.0 |
| Platinm-Emancipation | OT | OT | USA | 10/30 | USD | 93.58 | 25.0 | 9.3 | -11.3 |
| Platinm-Equity Plus | OT | OT | USA | 05/29 | USD | 35.02 | -18.2 | -63.7 | -45.6 |
| Platinm-Gbl Dividend | OT | OT | CYM | 10/30 | USD | 60.64 | 29.4 | 15.3 | -31.8 |
| Platinm-Nordic | OT | OT | CYM | 10/30 | SEK | 607.79 | 11.4 | 9.7 | -18.3 |
| Platinm-Premier | OT | OT | CYM | 12/31 | USD | 21.20 | -55.9 | -66.0 | -44.3 |
| Platinm-Turnberry | OT | OT | USA | 10/30 | USD | 56.60 | NS | NS | -38.7 |
| **SUPERFUND** | | | | | | | | | |
| **■ SUPERFUND ASSET MANAGEMENT GMBH** | | | | | | | | | |
| *For info about open funds, contact info@superfund.com and www.superfund.com* | | | | | | | | | |
| **Closed for New Investments* | | | | | | | | | |
| Superfund Cayman* | OT | OT | CYM | 12/15 | USD | 41.52 | -50.1 | -50.0 | -5.5 |
| Superfund GCT USD* | GL | EQ | LUX | 12/15 | USD | 2219.00 | -39.2 | -39.6 | -3.4 |
| Superfund Green Gold A (SPC) | OT | OT | CYM | 12/15 | USD | 990.66 | -14.8 | -3.5 | 8.5 |
| Superfund Green Gold B (SPC) | OT | OT | CYM | 12/15 | USD | 953.75 | -29.2 | -19.9 | 4.2 |
| Superfund Q-AG* | OT | OT | AUT | 12/15 | EUR | 6582.00 | -24.9 | -24.9 | 1.5 |
| **■ WINTON CAPITAL MANAGEMENT LTD** | | | | | | | | | |
| *Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301* | | | | | | | | | |
| Winton Evolution EUR Cls H | OT | OT | CYM | 11/30 | EUR | 972.73 | NS | NS | NS |
| Winton Evolution GBP Cls G | OT | OT | CYM | 11/30 | GBP | 976.73 | NS | NS | NS |
| Winton Evolution USD Cls F | OT | OT | CYM | 11/30 | USD | 1232.74 | -2.8 | -1.2 | 3.7 |
| Winton Futures EUR Cls C | OT | OT | VGB | 11/30 | EUR | 202.11 | -1.8 | -0.1 | 9.2 |
| Winton Futures GBP Cls D | OT | OT | VGB | 11/30 | GBP | 218.35 | -1.6 | 0.4 | 10.2 |
| Winton Futures JPY Cls E | OT | OT | VGB | 11/30 | JPY | 14398.02 | -2.4 | -0.4 | 6.9 |
| Winton Futures USD Cls B | OT | OT | VGB | 11/30 | USD | 716.94 | -2.2 | -0.2 | 8.9 |

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

MARKETS

# U.S. stocks flatline; Stoxx at 14-month high

By Donna Kardos Yesalavich And Kristina Peterson

NEW YORK—U.S. stocks hovered near the flatline as new-home sales dropped to the lowest level in seven months, but rising commodities prices drove energy and materials companies higher.

**ABREAST OF THE MARKET**

The Dow Jones Industrial Average was down 1.21 points at midday at 10463.72. **Home Depot** was the measure's worst performer, down 1.5% and wiping out its Tuesday rise that had followed better-than-expected existing-home sales. Financial components **J.P. Morgan Chase** and **Bank of America** also were weak, each down 1%. **Caterpillar** kept the declines in check, climbing 0.7%.

The technology-heavy Nasdaq Composite Index was up 11.03 points, or 0.5%, at 2263.70. The Standard & Poor's 500 stock index was up 1.19 points, or 0.1%, at 1119.21, with advances in its materials, technology and energy sectors largely offset by declines across financial and industrial companies.

The energy sector's rise came as crude-oil prices soared after U.S. oil and fuel inventories dropped by more than expected, signaling that the long-awaited tightening of supplies may be here. **Consol Energy** jumped 4.2%, while **Massey Energy** rose 4.1% and **Peabody Energy** was up 2.9%.

Metals prices were also higher Wednesday, lifting a number of materials companies including **Newmont Mining**, which rose 3.5%, and **Freeport-McMoRan Copper & Gold**, which climbed 2.1%.

**Micron Technology** rose 5.1% after the company said late Tuesday it swung to a profit, helped by strong sales of memory processors.

Corporate-uniform maker **Cintas** tumbled 10%. Its fiscal second-quarter results missed expectations as high unemployment cut into the need for uniforms.

## European Markets

A benchmark index closed at a fresh 14-month high as banks and miners advanced amid signs that the economic outlook continues to improve.

The pan-European Dow Jones Stoxx 600 index ended the last full trading session before Christmas up 0.3% to 251.90. It has climbed 28% this year.

Banks and miners, which are perceived as some of the companies most leveraged to an improving economic backdrop, have put in an even better performance than the overall market this year, with the mining sector up nearly 95% and the banking sector up 46%. Wednesday, **Rio Tinto** rose 2.5% and **Julius Baer** added 1.6%.

Among national indexes, the U.K. FTSE 100 index rose 0.8% to 5372.38 the German DAX index climbed 0.2% to 5957.44 and the French CAC-40 index advanced 0.3% to 3910.75.

*—Sarah Turner in London contributed to this article.*

# China Pacific rises on debut in Hong Kong

By Yvonne Lee

HONG KONG—**China Pacific Insurance (Group)** Co. rose 1.1% on its trading debut Wednesday after raising US$3.09 billion in Hong Kong's second-largest initial public offering this year, in lackluster trading ahead of the Christmas holiday.

**IPO FOCUS**

Analysts said they were upbeat about the company's shares in the long term because of China's rapidly growing insurance market, the second-largest in Asia after Japan in terms of total premiums and the sixth-largest in the world.

China Pacific closed at 28.30 Hong Kong dollars (US$3.65) from its IPO price of HK$28, in line with the benchmark Hang Seng Index's 1.1% gain.

The insurer's Hong Kong shares closed at a 6.4% premium to its Shanghai-listed shares.

China Pacific, the country's second-largest property insurer after PICC Property & Casualty Co., priced the IPO, the world's seventh-largest this year, in the middle of the indicative price range of HK$26.80 to HK$30.10.

The Hong Kong IPO will pave the way for private-equity investor Carlyle Group to exit one of its most profitable investments in China.

The IPO price translated to 1.8 times the firm's forecast 2010 embedded value, a measure of net worth excluding new business.

# Indian shares rise 3.2% to lead advance in Asia

By Amitha Rajan And Chris Oliver

Indian shares jumped 3.2% to their highest close in more than two months, in a broad, but largely modest, advance by markets in Asia.

Wednesday's gains in Mumbai were sparked by encouraging comments about economic growth as well as short-covering by traders ahead of the holiday season.

**ASIAN-PACIFIC STOCKS**

Elsewhere in Asia, tech shares and Australian coal stocks were among the big gainers, as upbeat data from the U.S. boosted optimism. Trading was thin, however, as the end of the year approached, while Japanese markets were closed for the Emperor's Birthday holiday.

"Investors are already positioning for next year," said SJS Seymour's chief investment strategist, Dariusz Kowalczyk. "The first quarter is likely to be pretty strong for the market, with risk appetite boosting valuations of commodities, equities and corporate credit."

India's benchmark Sensitive Index, or Sensex, rose 3.2% to 17231.11.

Metals were buoyant on buying by institutional investors, given steady metal prices. Aluminum producer **Hindalco Industries** rose 7.8%, while copper producer **Sterlite Industries** gained 5.1%.

In Sydney, **Gloucester Coal** soared 28% following a takeover bid from **Macarthur Coal**. Macarthur's shares rose 5.6%. **Wesfarmers**, which has substantial coal interest, rose 3.3%, and **Riversdale Mining** advanced 4.5%. Australia's ASX/S&P 200 was up a modest 0.8% at 4739.34.

In Hong Kong, Citic Resources ended 7.1% higher on its plan to sell its 7% stake in two mines to Macarthur. Citic Resources will also subscribe to 11.34 million Macarthur shares, giving it a total 15.32% stake in the Australian company.

Hong Kong's Hang Seng Index rose 1.1% to 21328.74.

Hong Kong-listed handset maker **Foxconn International Holdings** jumped 7.5% as regional technology plays attracted interest.

"Although demand for chips and LCD panels is seasonally weak around this time, their prices are firm, lifting expectations for technology firms' earnings," said Lee Sun-yup at Shinhan Investment.

Korea's **LG Display** tacked on 1.4%, while Taiwan's **Hon Hai** rose 2.9% after its board approved a plan to sell up to US$1 billion of overseas convertible bonds to raise funds to purchase materials.

The People's Bank of China said late Wednesday that it was concerned about the pace of economic recovery and that correcting structural problems for the nation's growth is urgent. The PBOC added it will seek to keep policy flexible and will focus on decreasing economic volatility and manage the pace of loan growth.

The Shanghai Composite Index added 0.8% to 3073.78.


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Allianz Global Investors

■ ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT

| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| Concentra AE | EU | EQ | DEU | 12/22 | EUR | 52.24 | 34.4 | 40.6 | -11.8 |
| Industria AE | EU | EQ | DEU | 12/22 | EUR | 71.16 | 36.0 | 38.5 | -17.3 |
| InternRent AE | EU | BD | DEU | 12/22 | EUR | 35.57 | 4.7 | 4.4 | 10.0 |

■ CHARTERED ASSET MANAGEMENT PTE LTD - TEL NO: 65-6835-8866

*Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| CAM-GTF Limited | AS | EQ | MUS | 12/18 | USD | 265704.36 | 97.0 | 101.9 | 0.9 |

GAM

■ GAM FUND MANAGEMENT LIMITED

*George's Court, 54-62 Townsend Street, Dublin 2, Ireland*

*Tel +353 1 609 3927 Fax +353 1 611 7941, Internet: www.gam.com*

| FUND NAME | GF | AT | LB | NAV DATE | CR | NAV | YTD | 12-MO | 2-YR |
|---|---|---|---|---|---|---|---|---|---|
| GAM Arbitrage Op | OT | OT | VGB | 12/11 | USD | 1247.78 | 23.1 | 20.0 | -8.8 |
| GAM Asia Eq Hdg JPY Op | GL | EQ | VGB | 12/21 | JPY | 14426.01 | 53.9 | 55.4 | -1.5 |
| GAM Asia Equity Hedge US | OT | OT | VGB | 12/21 | USD | 272.38 | 56.1 | 63.0 | 0.5 |
| GAM Asia Equity USD | OT | OT | VGB | 12/22 | USD | 627.62 | 56.3 | 58.3 | -13.6 |
| GAM Asia-Pacific Eq USD | OT | OT | VGB | 12/22 | USD | 1266.55 | 17.9 | 23.0 | -17.4 |
| GAM Com Glb Bal EUR Op | US | BA | VGB | 12/14 | EUR | 93.10 | 14.7 | 17.0 | -9.9 |
| GAM Com Glb Bal USD Op | US | BA | VGB | 12/14 | USD | 127.31 | 14.7 | 17.0 | -9.9 |
| GAM Comp Glb Eq EUR Op | GL | EQ | VGB | 12/14 | EUR | 95.07 | 21.3 | 24.9 | -17.2 |
| GAM Comp Glb Eq USD Op | GL | EQ | VGB | 12/14 | USD | 126.70 | 21.3 | 24.9 | -17.2 |
| GAM Comp Glb Gr EUR Op | US | BA | VGB | 12/14 | EUR | 83.88 | 15.0 | 17.9 | -14.3 |
| GAM Comp Glb Gr USD Op | US | BA | VGB | 12/14 | USD | 126.34 | 15.0 | 17.9 | -14.3 |
| GAM CompAbsRT EUR Op | OT | OT | VGB | 09/30 | EUR | 141.71 | 9.1 | 0.1 | -6.9 |
| GAM CompAbsRT SGD Op | OT | OT | VGB | 09/30 | SGD | 102.21 | 9.2 | -0.1 | -8.3 |
| GAM CompAbsRT USD Op | OT | OT | VGB | 09/30 | USD | 845.66 | 9.5 | 0.7 | -7.0 |
| GAM Cptal Apprec Eq Inc | US | EQ | VGB | 12/18 | USD | 244.86 | 34.4 | 41.2 | -12.4 |
| GAM Cross Trading Inc | OT | OT | VGB | 12/14 | USD | 464.04 | 6.1 | NS | NS |
| GAM Diversity CHF Op | OT | OT | VGB | 12/14 | CHF | 94.54 | 4.5 | 3.8 | -6.9 |
| GAM Diversity EUR Op | OT | OT | VGB | 12/14 | EUR | 649.99 | 5.3 | 4.9 | -5.3 |
| GAM Diversity USD 2.5XL | OT | OT | VGB | 12/14 | USD | 78.80 | 9.2 | 8.2 | NS |
| GAM Diversity USD Op | OT | OT | VGB | 12/14 | USD | 682.53 | 5.3 | NS | NS |
| GAM Dvrsty II CHF Op | OT | OT | VGB | 12/14 | CHF | 99.84 | 4.4 | NS | NS |
| GAM Dvrsty II EUR Op | OT | OT | VGB | 12/14 | EUR | 139.19 | 4.9 | 4.1 | -5.4 |
| GAM Dvrsty II USD Op | OT | OT | VGB | 12/14 | USD | 210.84 | 4.9 | NS | -5.6 |
| GAM DvrstyIII EUR Op | OT | OT | VGB | 12/14 | EUR | 115.92 | 4.9 | 4.1 | -5.5 |
| GAM DvrstyIII USD Op | OT | OT | VGB | 12/14 | USD | 122.37 | 4.9 | 4.1 | -5.6 |
| GAM Euro Eq Hdg EUR Op | EU | EQ | VGB | 12/21 | EUR | 216.48 | 9.8 | 12.0 | -4.9 |
| GAM Euro Eq Hdg USD Op | OT | OT | VGB | 12/21 | USD | 201.25 | 10.5 | 12.3 | -3.3 |
| GAM European Equity USD | OT | OT | VGB | 12/21 | USD | 290.28 | 23.4 | 25.4 | -14.4 |
| GAM GAMCO | OT | EQ | VGB | 12/15 | USD | 806.38 | 39.0 | 46.0 | -11.7 |
| GAM Gb EmMkts Hdg EUROp | OT | OT | VGB | 12/14 | EUR | 98.24 | 13.9 | 13.7 | -17.1 |
| GAM Gb EmMkts Hdg USDOp | OT | OT | VGB | 12/21 | USD | 102.38 | 13.1 | 11.8 | -16.0 |
| GAM Gbl Divers USD Inc. | GL | EQ | VGB | 12/21 | USD | 249.62 | 22.2 | 26.5 | -7.5 |
| GAM Grtr China Eq Hdg Op | GL | EQ | VGB | 12/14 | USD | 288.70 | 102.2 | 109.0 | 21.0 |
| GAM Intrst Trend II | GL | BD | VGB | 12/14 | USD | 93.42 | 41.4 | 35.8 | -8.4 |
| GAM Intrst Trend Inc | OT | OT | VGB | 12/21 | USD | 249.49 | 56.6 | 51.6 | -7.3 |
| GAM Japan Eq Hdg EUR Op | AS | EQ | VGB | 12/21 | EUR | 115.80 | 8.4 | 10.2 | -7.9 |
| GAM Japan Eq Hdg USD Op | OT | OT | VGB | 12/21 | USD | 120.39 | 7.1 | NS | -19.9 |
| GAM Japan Eq Hdg YEN Open | AS | EQ | VGB | 12/14 | JPY | 8176.72 | 6.0 | 13.3 | -21.7 |
| GAM Japan USD | JP | EQ | VGB | 12/21 | USD | 1089.12 | 5.2 | 7.8 | -15.8 |
| GAM Japan YEN | JP | EQ | VGB | 12/21 | JPY | 8637.81 | 7.8 | 11.8 | -23.6 |
| GAM Money Mkt EuroOp | EU | MM | VGB | 12/21 | EUR | 51.20 | 0.1 | 0.2 | 1.7 |
| GAM Money Mkt USD | US | MM | VGB | 12/21 | USD | 99.96 | -0.1 | 0.0 | 0.9 |
| GAM Multi-Arb EUR Op | OT | OT | VGB | 12/14 | EUR | 113.29 | 1.1 | -0.9 | -8.6 |
| GAM Multi-Arb USD Op | OT | OT | VGB | 12/14 | USD | 118.28 | 1.3 | -0.8 | -8.8 |
| GAM Multi-China EUR Op | OT | OT | VGB | 12/14 | EUR | 167.99 | 13.1 | 13.0 | -8.8 |
| GAM Multi-China USD Op | OT | OT | VGB | 12/14 | USD | 176.61 | 13.7 | 13.6 | -9.4 |
| GAM Multi-Emer Mkts GBP | OT | OT | VGB | 12/14 | GBP | 130.34 | 24.6 | 23.9 | -3.0 |
| GAM Multi-Emer Mkts USD | OT | OT | VGB | 12/14 | USD | 645.36 | 24.6 | 23.9 | -3.4 |
| GAM Multi-Eur EUR Op | OT | OT | VGB | 12/14 | EUR | 267.99 | 6.8 | 6.0 | -10.3 |
| GAM Multi-Eur II EUR Op | OT | OT | VGB | 12/14 | EUR | 137.89 | 6.7 | 8.6 | -10.3 |
| GAM Multi-Eur II USD Op | OT | OT | VGB | 12/14 | USD | 112.76 | 6.3 | 8.2 | -11.3 |
| GAM Multi-Eur USD Op | OT | OT | VGB | 12/14 | USD | 466.44 | 6.4 | 5.6 | -11.2 |
| GAM Multi-Nth Am EUR Special | OT | OT | VGB | 12/14 | EUR | 132.77 | 11.4 | 12.3 | NS |
| GAM Multi-Nth Am USD Special | OT | OT | VGB | 12/14 | USD | 216.31 | 11.8 | 13.0 | NS |
| GAM Multi-Pac EUR Op | GL | EQ | VGB | 12/14 | EUR | 142.45 | 4.5 | 4.1 | -4.8 |
| GAM Multi-Pac USD Op | OT | OT | VGB | 12/14 | USD | 164.43 | 4.6 | 4.4 | -5.2 |
| GAM Portable Dvr/S&P500 | OT | OT | VGB | 08/24 | USD | 70.11 | 17.7 | -27.7 | -22.9 |
| GAM Selection Hdg | US | EQ | VGB | 12/11 | USD | 2574.88 | 65.5 | 71.2 | 9.7 |
| GAM Sing/Malaysia | AS | EQ | VGB | 12/22 | USD | 2480.71 | 49.3 | 50.0 | -10.4 |
| GAM Sterling Spe Bd Inc | OT | OT | VGB | 12/14 | GBP | 241.88 | 40.0 | 40.4 | 2.3 |
| GAM Trading EUR Inc | OT | OT | VGB | 12/14 | EUR | 323.84 | 5.9 | 5.4 | 6.8 |
| GAM Trading USD Inc | OT | OT | VGB | 12/14 | USD | 969.19 | 6.1 | 5.7 | 6.3 |
| GAM Trdg II IncEUR Op | OT | OT | VGB | 12/14 | EUR | 138.52 | 5.8 | 5.3 | 6.8 |
| GAM Trdg II IncUSD Op | OT | OT | VGB | 12/14 | USD | 314.69 | 6.1 | 5.7 | 6.3 |
| GAM Trdg IV IncEUR Op | OT | OT | VGB | 12/14 | EUR | 146.18 | 5.6 | 5.0 | 6.5 |
| GAM Trdg IV IncUSD Op | OT | OT | VGB | 12/14 | USD | 153.91 | 5.9 | 5.4 | 6.2 |
| GAM Trdg V IncEUR Op | OT | OT | VGB | 12/14 | EUR | 123.94 | 5.6 | 4.9 | 6.3 |
| GAM Trdg V IncUSD Op | OT | OT | VGB | 12/14 | USD | 129.08 | 5.8 | 5.4 | 6.1 |
| GAM TrdgIII IncEUR Op | OT | OT | VGB | 12/14 | EUR | 156.35 | 5.7 | 5.2 | 6.5 |
| GAM TrdgIII IncUSD Op | OT | OT | VGB | 12/14 | USD | 161.86 | 5.9 | 5.5 | 6.2 |
| GAM USDSpecBondInc | US | BD | VGB | 12/14 | USD | 518.91 | 70.7 | 75.0 | 5.7 |
| GAM Worldwide | GL | EQ | VGB | 12/21 | USD | 2214.31 | 23.6 | 25.3 | -10.3 |
| GAMut Investments | OT | OT | VGB | 12/16 | USD | 7573.04 | 4.3 | 5.1 | 7.7 |

■ GAM Star Fund Plc

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| GAMStar-AsEqCHF Ord Ac | AS | EQ | IRL | 12/21 | CHF | 10.58 | 49.4 | 41.8 | -18.2 |
| GAMStar-AsEqEUR Ord Ac | AS | EQ | IRL | 12/21 | EUR | 11.34 | 51.6 | 48.4 | -13.0 |
| GAMStar-AsEqGBP Ord Ac | AS | EQ | IRL | 12/21 | GBP | 1.50 | 41.4 | 41.7 | -3.5 |
| GAMStar-AsEqUSD Ord Ac | AS | EQ | IRL | 12/21 | USD | 12.72 | 55.1 | 52.5 | -13.0 |
| GAMStar-AsPacEqEUR Acc | AS | EQ | IRL | 12/21 | EUR | 98.71 | 16.8 | 19.0 | -14.7 |
| GAMStar-AsPacEqEUR Inc | AS | EQ | IRL | 12/21 | EUR | 95.52 | 16.8 | 19.0 | -14.7 |
| GAMStar-ContEurEqEUR Ac | EU | EQ | IRL | 12/21 | EUR | 10.81 | 22.9 | 24.0 | -12.0 |
| GAMStar-EurpEqEUR Acc | EU | EQ | IRL | 12/21 | EUR | 179.19 | 22.3 | 23.8 | -14.6 |
| GAMStar-EurpEqEUR Inc | EU | EQ | IRL | 12/21 | EUR | 163.73 | 22.3 | 23.8 | -14.6 |
| GAMStar-EurpEqUSD Acc | EU | EQ | IRL | 12/21 | USD | 15.59 | 24.9 | 27.0 | -14.5 |
| GAMStar-EurpEqUSD Inc | EU | EQ | IRL | 12/21 | USD | 14.14 | 24.9 | 26.9 | -14.5 |
| GAMStar-FrontierOppUSD Acc | GL | EQ | IRL | 12/21 | USD | 5.61 | 19.2 | 11.6 | NS |
| GAMStar-JpnEq EUR Acc | JP | EQ | IRL | 12/21 | EUR | 87.08 | 7.0 | 8.9 | -13.5 |
| GAMStar-JpnEq EUR Inc | JP | EQ | IRL | 12/21 | EUR | 87.08 | 7.0 | 8.9 | -13.5 |
| GAMStar-JpnEq JPY Acc | JP | EQ | IRL | 12/21 | JPY | 901.79 | 7.6 | 11.5 | -23.5 |
| GAMStar-JpnEq USD Acc | JP | EQ | IRL | 12/21 | USD | 10.99 | 4.4 | 7.0 | -16.0 |
| GAMStar-World EqUSD Acc | GL | EQ | IRL | 12/21 | USD | 2192.33 | 24.6 | 26.3 | -9.9 |

Manulife Wealth Management 宏利財富管理

■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110

*Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| American Growth | US | EQ | LUX | 12/22 | USD | 15.02 | 25.2 | 26.0 | -12.9 |
| American Growth AA | US | EQ | LUX | 12/22 | USD | 0.87 | 24.9 | 25.7 | -7.0 |
| Asian Equity | AS | EQ | LUX | 12/22 | USD | 2.37 | 58.2 | 59.4 | -10.0 |
| Asian Equity AA | AS | EQ | LUX | 12/22 | USD | 0.76 | 57.6 | 58.8 | -10.3 |
| Asian Sm Cap Equity AA | AS | EQ | LUX | 12/22 | USD | 1.12 | 86.0 | 89.6 | -6.4 |
| China Value A | AS | EQ | LUX | 12/22 | USD | 6.84 | 58.4 | 60.8 | -8.5 |
| China Value AA | AS | EQ | LUX | 12/22 | USD | 2.15 | 58.0 | 60.4 | -8.8 |
| Dragon Growth | AS | EQ | LUX | 12/22 | USD | 1.58 | 60.7 | 61.0 | -11.4 |
| Dragon Growth AA | OT | OT | LUX | 12/22 | HKD | 7.66 | 60.6 | 60.6 | -12.5 |
| Emg Eastrn Europe A | EU | EQ | LUX | 12/22 | USD | 4.46 | 89.2 | 87.2 | -19.7 |
| Emg Eastrn Europe AA | EU | EQ | LUX | 12/22 | USD | 1.92 | 89.0 | 86.9 | -19.8 |
| European Growth | EU | EQ | LUX | 12/22 | USD | 8.99 | 39.7 | 43.4 | -18.3 |
| European Growth AA | EU | EQ | LUX | 12/22 | USD | 0.64 | 39.4 | 43.0 | -18.5 |
| Global Contrarain AA | GL | EQ | LUX | 12/22 | USD | 0.86 | 78.3 | 80.9 | NS |
| Global Property AA | OT | EQ | LUX | 12/22 | USD | 0.66 | 43.0 | 40.5 | -14.1 |
| Global Resources AA | OT | EQ | LUX | 12/22 | USD | 1.06 | 49.9 | 55.2 | -11.0 |
| Healthcare AA | OT | EQ | LUX | 12/22 | USD | 0.93 | 13.0 | 13.5 | NS |
| India Equity AA | EA | EQ | LUX | 12/22 | USD | 1.05 | 73.2 | 68.0 | -18.3 |
| International Growth | GL | EQ | LUX | 12/22 | USD | 3.00 | 20.4 | 22.5 | -15.9 |
| International Growth AA | GL | EQ | LUX | 12/22 | USD | 0.70 | 20.1 | 22.2 | -16.1 |
| Japanese Growth | JP | EQ | LUX | 12/22 | USD | 2.75 | 6.5 | 7.8 | -12.8 |
| Japanese Growth AA | JP | EQ | LUX | 12/22 | USD | 0.72 | 6.2 | 7.5 | -11.3 |
| Latin America Equity AA | GL | EQ | LUX | 12/22 | USD | 1.23 | 96.6 | 91.1 | -5.5 |
| Manulife GF Strategic Income Fund AA | OT | OT | NA | 12/22 | USD | 1.00 | NS | NS | NS |
| MGF Asia Value Dividend Equity Fund | OT | OT | Lux | 12/22 | USD | 1.10 | NS | NS | NS |
| Russia Equity AA | EE | EQ | LUX | 12/22 | USD | 0.63 | 131.4 | 120.6 | -22.8 |
| Taiwan Equity AA | AS | EQ | LUX | 12/22 | USD | 1.03 | 76.8 | 79.6 | 2.2 |
| Turkey Equity AA | EE | EQ | LUX | 12/22 | USD | 0.73 | 98.2 | 98.3 | -14.2 |
| U.S. Bond AA | US | BD | LUX | 12/22 | USD | 1.11 | 17.8 | 18.3 | 7.3 |
| U.S. High Yield Bond AA | US | BD | LUX | 12/22 | USD | 0.80 | 79.8 | 85.4 | -0.3 |
| U.S. Sm Cap Equity AA | US | EQ | LUX | 12/22 | USD | 0.80 | 68.1 | 63.9 | -13.5 |
| U.S. Tsy Inf-ProtSec AA | OT | BD | LUX | 12/22 | USD | 1.14 | 7.7 | 6.6 | 3.2 |

■ PT CIPTADANA ASSET MANAGEMENT

*Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Indonesian Grth Fund | EA | EQ | CYM | 12/16 | USD | 126.99 | 120.1 | 114.6 | -4.7 |

Sensible Asset Management
*A Value Partners Group company*

■ SENSIBLE ASSET MANAGEMENT LIMITED

*www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Asia Value Formula Fd-B | AS | EQ | CYM | 12/22 | USD | 7.78 | 81.4 | 79.3 | -7.1 |

SOCIETE GENERALE Asset Management

■ SG ASSET MANAGEMENT HTTP://WWW.SGAM.COM

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Eq. Concentrated Euroland A | OT | OT | LUX | 12/21 | EUR | 92.51 | 21.5 | 22.9 | -19.9 |
| Eq. Euroland Small Cap A | OT | OT | LUX | 12/21 | EUR | 139.14 | 40.4 | 45.6 | -12.3 |
| Eq. Global Resources A | OT | OT | LUX | 12/21 | USD | 106.27 | 51.6 | 58.9 | -9.2 |
| Eq. India A | OT | OT | LUX | 12/22 | USD | 125.26 | 72.4 | 67.3 | -18.2 |
| Eq. Japan CoreAlpha A | OT | OT | LUX | 12/22 | JPY | 7246.81 | 23.2 | 27.0 | -13.2 |
| Eq. Latin America A | OT | OT | LUX | 12/21 | USD | 111.41 | 79.0 | 75.9 | -11.0 |

■ SGAM Fund

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Bonds Eur Hi Yld A | EU | BD | LUX | 12/21 | EUR | 20.52 | 54.3 | 56.5 | -1.5 |
| Bonds EURO A | EU | BD | LUX | 12/21 | EUR | 41.30 | 4.6 | 5.0 | 5.8 |
| Bonds EUROPE A | EU | BD | LUX | 12/21 | EUR | 39.24 | 3.6 | 4.0 | 4.7 |
| Bonds US OppsCoreplus A | US | BD | LUX | 12/21 | USD | 37.10 | 17.6 | 18.6 | 9.2 |
| Bonds World A | GL | BD | LUX | 12/21 | USD | 42.39 | 6.4 | 5.8 | 7.6 |
| Eq. China A | AS | EQ | LUX | 12/22 | USD | 23.24 | 55.5 | 53.8 | -15.2 |
| Eq. ConcentratedEuropeA | EU | EQ | LUX | 12/21 | EUR | 26.52 | 28.7 | 30.7 | -18.0 |
| Eq. Euroland A | EU | EQ | LUX | 12/21 | EUR | 10.68 | 16.5 | 18.1 | -20.6 |
| Eq. EurolandCyclclsA | EU | EQ | LUX | 12/21 | EUR | 17.60 | 28.1 | 29.6 | -15.9 |
| Eq. EurolandFinancialA | OT | EQ | LUX | 12/21 | EUR | 11.12 | 32.0 | 32.9 | -21.9 |
| Eq. Glbl Emg Cty A | GL | EQ | LUX | 12/21 | USD | 9.24 | 54.6 | 51.7 | -15.5 |
| Eq. Global A | GL | EQ | LUX | 12/21 | USD | 27.54 | 30.9 | 34.1 | -14.4 |
| Eq. Global Energy A | OT | EQ | LUX | 12/21 | USD | 17.86 | 25.3 | 27.7 | -14.1 |
| Eq. Gold Mines A | OT | EQ | LUX | 12/21 | USD | 29.63 | 41.7 | 53.4 | 4.1 |
| Eq. US Lg Cap Gr A | US | EQ | LUX | 12/21 | USD | 15.21 | 41.0 | 40.1 | -14.0 |
| Eq. US Rel Val A | US | EQ | LUX | 12/21 | USD | 20.50 | 32.0 | 34.4 | -15.3 |
| Eq. US Sm Cap Val A | US | EQ | LUX | 12/21 | USD | 15.78 | 21.9 | 24.9 | -21.8 |
| Money Market EURO A | EU | MM | LUX | 12/21 | EUR | 27.39 | 1.0 | 1.1 | 2.7 |
| Money Market USD A | US | MM | LUX | 12/21 | USD | 15.83 | 0.5 | 0.6 | 1.7 |

المستثمر الوطني The National Investor

■ THE NATIONAL INVESTOR

*TNI Tower | Zayed 1st Street Khalidia| Web:www.tni.ae*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| TNI Mena Real Estate Fund | OT | OT | BMU | 12/10 | USD | 929.00 | -1.2 | -7.1 | -28.2 |
| TNI MENA Special Sits Fund | OT | OT | BMU | 11/30 | USD | 1070.31 | 10.2 | 10.3 | NS |
| TNI UAE Blue Chip Fund | OT | OT | ARE | 12/10 | AED | 4.67 | 1.8 | -10.5 | -35.1 |

Value Partners
*Investing through discipline*

■ WEBSITE: WWW.VALUEPARTNERS.COM.HK, TEL: (852) 2880 9263, FAX: (852) 2564 8487

**formerly known as China ABH Shares Fund*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Intel-Chin MainInd Foc | AS | EQ | CYM | 12/15 | USD | 29.84 | 86.0 | 90.8 | 0.9 |
| Intel-China Converg* | AS | EQ | CYM | 12/15 | USD | 114.29 | 87.6 | 93.1 | -0.6 |
| VP Classic - A | AS | EQ | CYM | 12/22 | USD | 179.63 | 76.2 | 77.3 | -2.9 |
| VP CLassic - B | AS | EQ | CYM | 12/22 | USD | 83.73 | 75.4 | 76.4 | -3.4 |
| VP High Dividend Stk | AS | EQ | CYM | 12/21 | USD | 44.29 | 78.2 | 81.5 | -0.3 |

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■ YUKI INTERNATIONAL LIMITED

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■ YMR-N Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| YMR-N Growth Fund | OT | OT | IRL | 12/22 | JPY | 9322.00 | 8.3 | 8.8 | -25.2 |
| YMR-N Small Cap Fund | OT | OT | IRL | 12/22 | JPY | 6954.00 | 8.4 | 11.8 | -24.9 |

■ Yuki 77 Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki 77 General | JP | EQ | IRL | 12/22 | JPY | 6104.00 | 3.4 | 4.6 | -26.9 |
| Yuki 77 Growth | JP | EQ | IRL | 12/22 | JPY | 5611.00 | -5.2 | -4.4 | -32.2 |

■ Yuki Chugoku Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Chugoku Jpn Gen | JP | EQ | IRL | 12/22 | JPY | 6754.00 | 8.2 | 9.3 | -23.7 |
| Yuki Chugoku JpnLowP | JP | EQ | IRL | 12/22 | JPY | 7512.00 | -8.3 | -7.6 | -23.4 |

■ Yuki Hokuyo Japan Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Hokuyo Jpn Gen | JP | EQ | IRL | 12/22 | JPY | 4627.00 | 1.7 | 2.4 | -27.2 |
| Yuki Hokuyo Jpn Inc | JP | EQ | IRL | 12/22 | JPY | 5215.00 | -1.2 | -1.0 | -20.9 |
| Yuki Hokuyo Jpn Sm Cap | JP | EQ | IRL | 12/22 | JPY | 5060.00 | 7.5 | 10.5 | -23.0 |

■ Yuki Mizuho Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Mizuho Gen Jpn III | OT | OT | IRL | 12/22 | JPY | 4370.00 | 2.8 | 4.3 | -31.1 |
| Yuki Mizuho Jpn Dyn Gro | OT | OT | IRL | 12/22 | JPY | 4607.00 | 2.6 | 3.2 | -30.8 |
| Yuki Mizuho Jpn Exc 100 | OT | OT | IRL | 12/22 | JPY | 6879.00 | 12.8 | 14.0 | -25.5 |
| Yuki Mizuho Jpn Gen | OT | OT | IRL | 12/22 | JPY | 8519.00 | 6.2 | 7.4 | -25.0 |
| Yuki Mizuho Jpn Gro | OT | OT | IRL | 12/22 | JPY | 6312.00 | 1.0 | 1.3 | -28.2 |
| Yuki Mizuho Jpn Inc | OT | OT | IRL | 12/22 | JPY | 7571.00 | -4.8 | -4.3 | -23.7 |
| Yuki Mizuho Jpn Lg Cap | OT | OT | IRL | 12/22 | JPY | 5129.00 | 2.9 | 3.5 | -25.9 |
| Yuki Mizuho Jpn LowP | OT | OT | IRL | 12/22 | JPY | 11380.00 | 0.4 | 1.7 | -20.5 |
| Yuki Mizuho Jpn PGth | OT | OT | IRL | 12/22 | JPY | 7886.00 | 3.2 | 4.1 | -30.5 |
| Yuki Mizuho Jpn SmCp | OT | OT | IRL | 12/22 | JPY | 7125.00 | 16.2 | 19.8 | -24.9 |
| Yuki Mizuho Jpn Val Sel | OT | OT | IRL | 12/22 | JPY | 5566.00 | 7.2 | 7.2 | -22.8 |
| Yuki Mizuho Jpn YoungCo | OT | OT | IRL | 12/22 | JPY | 2713.00 | 13.7 | 14.5 | -30.6 |

■ Yuki Shizuoka Japan Series

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Yuki Shizuoka General Japan | JP | EQ | IRL | 12/22 | JPY | 5364.00 | 5.2 | 6.5 | -24.5 |

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

# Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

## Giants around the world

In U.S.-dollar terms.

### Dow Jones Country Titans

| | INDEX PERFORMANCE | | |
|---|---|---|---|
| | Previous session | Year-to-date | 52-week |
| Russia | -0.45% | **99.9%** | 90.7% |
| Brazil | -0.51 | **98.6** | 108.6 |
| Turkey | -0.82 | **85.4** | 90.7 |
| China 88 | 0.72 | **71.6** | 66.1 |
| Singapore | 0.65 | **63.0** | 65.5 |
| South Korea | 0.59 | **50.9** | 50.1 |
| Sweden | -0.09 | **49.8** | 51.5 |
| Hong Kong | 1.18 | **44.5** | 46.3 |
| Netherlands | -0.16 | **39.5** | 41.9 |
| Canada | 0.13 | **28.0** | 38.3 |
| Australia | 0.85 | **26.1** | 30.4 |
| Switzerland | 0.11 | **25.7** | 29.3 |
| South Africa | 0.43 | **22.4** | 26.7 |
| France | 0.09 | **21.8** | 26.0 |
| Italy | 0.46 | **21.5** | 23.3 |
| U.K. | 0.56 | **20.4** | 26.9 |
| Germany | 0.02 | **17.7** | 22.4 |
| Spain | 0.38 | **17.0** | 18.8 |
| Japan | unch. | **6.8** | 11.1 |

### Dow Jones Regional Sector Titans

| | | | |
|---|---|---|---|
| Basic Res | 1.71% | **79.9%** | 90.3% |
| Technology | 0.23 | **53.6** | 57.2 |
| Tiger 50* | 0.95 | **53.3** | 56.4 |
| Nordic 30 -p | 0.98 | **36.8** | 39.5 |
| EU Enlarged†-p | 0.92 | **31.5** | 31.9 |
| Asian 50 | 0.67 | **28.4** | 33.3 |
| Stoxx 50 -p | 0.71 | **22.9** | 27.1 |
| Euro Stoxx 50 -p | 0.67 | **20.4** | 23.7 |
| Global 50 | 0.23 | **20.3** | 24.0 |
| Arab 50 | -0.62 | **4.2** | 2.3 |

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

## Dow Jones Asia Titans: Wednesday's best and worst...

| Company | Country | Industry | Market value, in billions of US$ | Previous close, in local currency | STOCK PERFORMANCE Previous session | 52-week | Three-year |
|---|---|---|---|---|---|---|---|
| **Hon Hai Precision Industry Co. Ltd.** | Taiwan | Electrical Components Equipment | $38.1 | 144.50 | **2.85%** | 168.0% | -1.2% |
| **Sun Hung Kai Properties Ltd.** | Hong Kong | Real Estate Holding Development | 37.5 | 113.50 | **2.81** | 71.5 | 29.8 |
| **Westpac Banking Corp.** | Australia | Banks | 63.0 | 24.68 | **2.19** | 49.6 | 1.6 |
| **Cheung Kong (Holdings) Ltd.** | Hong Kong | Real Estate Holding Development | 29.0 | 97.00 | **2.11** | 32.9 | 4.2 |
| **POSCO** | South Korea | Iron Steel | 39.1 | 608,000 | **2.01** | 61.5 | 94.9 |
| **QBE Insurance Group Ltd.** | Australia | Reinsurance | $22.2 | 24.70 | **-0.96%** | -3.5 | -14.4 |
| **Hutchison Whampoa Ltd.** | Hong Kong | Diversified Industrials | 27.4 | 49.80 | **-0.50** | 24.5 | -36.5 |
| **China Mobile Ltd.** | Hong Kong | Mobile Telecommunications | 178.5 | 69.60 | **-0.36** | -6.6 | 5.3 |
| **KB Financial Group Inc.** | South Korea | Banks | 19.1 | 58,700 | **-0.34** | 82.9 | -19.1 |
| **Shinhan Financial Group Co. Ltd.** | South Korea | Banks | 17.8 | 44,350 | **-0.22** | 53.0 | -4.2 |

## ...And the rest of Asia's blue chips

| Company/Country (Industry) | Market value, in billions (U.S) | Latest, in local currency | STOCK PERFORMANCE Latest | 52-week | Three-year |
|---|---|---|---|---|---|
| **Westfield Group** Australia (Retail REITs) | 24.8 | 12.25 | **2.00%** | -8.6% | -39.7% |
| **China Life Insurance Co. Ltd.** Hong Kong (Life Insurance) | 35.9 | 37.45 | **1.63** | 64.6 | 37.2 |
| **Industrial Commercial Bank of China Ltd.** Hong Kong (Banks) | 68.2 | 6.37 | **1.59** | 53.9 | 27.9 |
| **PetroChina Co. Ltd.** Hong Kong (Integrated Oil Gas) | 24.8 | 9.11 | **1.56** | 43.2 | -16.4 |
| **China Construction Bank Corp.** Hong Kong (Banks) | 188.7 | 6.51 | **1.56** | 51.0 | 28.7 |
| **Australia New Zealand Banking Group Ltd.** Australia (Banks) | 47.7 | 21.71 | **1.12** | 46.0 | -23.9 |
| **Taiwan Semiconductor Manufacturing Co. Ltd.** Taiwan (Semiconductors) | 50.7 | 63.40 | **0.79** | 46.8 | -3.1 |
| **Commonwealth Bank of Australia** Australia (Banks) | 70.7 | 53.00 | **0.78** | 95.2 | 7.5 |
| **Woolworths Ltd.** Australia (Food Retailers Wholesalers) | 29.5 | 27.35 | **0.77** | 3.6 | 14.0 |
| **RioZim Ltd.** Australia (General Mining) | 39.0 | 73.28 | **0.73** | 153.8 | 26.8 |
| **CNOOC Ltd.** Hong Kong (Exploration Production) | 68.3 | 11.86 | **0.68** | 78.6 | 68.2 |
| **BHP Billiton Ltd.** Australia (General Mining) | 123.4 | 41.92 | **0.65** | 45.4 | 67.4 |
| **Samsung Electronics** South Korea (Semiconductors) | 98.0 | 784,000 | **0.38** | 70.4 | 28.1 |
| **National Australia Bank Ltd.** Australia (Banks) | 48.5 | 26.37 | **0.23** | 31.1 | -34.9 |
| **Woodside Petroleum Ltd.** Australia (Exploration Production) | 29.8 | 47.36 | **0.19** | 44.0 | 25.0 |
| **Mitsubishi UFJ Financial Group Inc.** Japan (Banks) | 59.8 | 474.00 | **Closed** | -11.1 | -68.0 |
| **Canon Inc.** Japan (Electronic Office Equipment) | 51.0 | 3,790 | **Closed** | 39.1 | -43.5 |
| **KDDI Corp.** Japan (Mobile Telecommunications) | 23.2 | 481,000 | **Closed** | -19.3 | -39.7 |
| **Mizuho Financial Group Inc.** Japan (Banks) | 26.8 | 175.00 | **Closed** | -32.1 | -79.4 |
| **East Japan Railway Co.** Japan (Travel Tourism) | 25.5 | 5,920 | **Closed.** | -14.1 | -25.7 |

| Company/Country (Industry) | Market value, in billions (U.S) | Latest, in local currency | STOCK PERFORMANCE Latest | 52-week | Three-year |
|---|---|---|---|---|---|
| **Honda Motor Co. Ltd.** Japan (Automobiles) | 61.4 | 3,080 | **Closed** | 71.4% | -34.3% |
| **Japan Tobacco Inc.** Japan (Tobacco) | 32.3 | 308,000 | **Closed** | 3.4 | -46.9 |
| **Kansai Electric Power Co. Inc.** Japan (Conventional Electricity) | 22.1 | 2,125 | **Closed** | -18.3 | -33.8 |
| **Panasonic Corp.** Japan (Consumer Electronics) | 29.7 | 1,314 | **Closed** | 27.3 | -44.0 |
| **Mitsubishi Corp.** Japan (Industrial Suppliers) | 39.0 | 2,180 | **Closed** | 99.6 | -2.0 |
| **Mitsui Co. Ltd.** Japan (Industrial Suppliers) | 25.0 | 1,263 | **Closed** | 58.9 | -29.0 |
| **NTT DoCoMo Inc.** Japan (Mobile Telecommunications) | 59.0 | 129,600 | **Closed** | -23.4 | -31.1 |
| **Nintendo Co. Ltd.** Japan (Toys) | 30.4 | 21,800 | **Closed** | -36.4 | -28.5 |
| **Nippon Steel Corp.** Japan (Iron Steel) | 24.9 | 362.00 | **Closed** | 25.7 | -43.9 |
| **Nippon Telegraph Telephone Corp.** Japan (Fixed Line Telecommunications) | 52.5 | 3,640 | **Closed** | -22.2 | -38.2 |
| **Nissan Motor Co. Ltd.** Japan (Automobiles) | 34.2 | 769.00 | **Closed** | 159.8 | -45.9 |
| **Seven I Holdings Co. Ltd.** Japan (Broadline Retailers) | 18.2 | 1,845 | **Closed** | -36.2 | -49.7 |
| **Shin-Etsu Chemical Co. Ltd.** Japan (Specialty Chemicals) | 23.6 | 5,100 | **Closed** | 34.9 | -36.5 |
| **Sony Corp.** Japan (Consumer Electronics) | 28.8 | 2,650 | **Closed** | 47.4 | -48.4 |
| **Takeda Pharmaceutical Co. Ltd.** Japan (Pharmaceuticals) | 32.6 | 3,780 | **Closed** | -15.6 | -54.1 |
| **Tokyo Electric Power Co. Inc.** Japan (Conventional Electricity) | 34.6 | 2,350 | **Closed** | -19.8 | -39.4 |
| **Toyota Motor** Japan (Automobiles) | 130.6 | 3,800 | **Closed** | 36.7 | -52.3 |
| **Tokio Marine Holdings Inc.** Japan (Property Casualty Insurance) | 21.8 | 2,540 | **Closed** | 4.1 | -40.5 |
| **JFE Holdings Inc.** Japan (Iron Steel) | 20.1 | 3,490 | **Closed** | 44.2 | -43.2 |
| **Sumitomo Mitsui Financial Group Inc.** Japan (Banks) | 31.2 | 2,835 | **Closed** | -24.6 | -76.4 |

Sources: Dow Jones Indexes; WSJ Market Data Group

# Tracking credit markets & dealmakers

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## Hedge funds

| Dow Jones Hedge Benchmark | TOTAL RETURN for rolling periods, net of fees* One week | One month | One quarter | Year to date | One year |
|---|---|---|---|---|---|
| **Merger Arbitrage** | -0.14% | 0.50% | 1.4% | 7.7% | 7.3% |
| **Event Driven** | 0.24 | 0.68 | 3.2 | 15.0 | 15.6 |
| **Equity Long/Short** | 0.40 | 1.49 | 0.1 | 4.2 | 3.7 |

*Estimates as of 12/21/09, after fees; Source: www.djhedgefundindexes.com

## Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

### Markit iTraxx Indexes

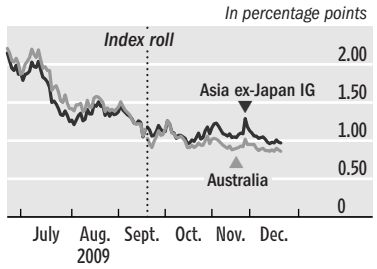
| Index: series/version | Mid-spread, in pct. pts. | Mid-price | Coupon | SPREAD RANGE, in pct. pts. since most recent roll Maximum | Minimum | Average |
|---|---|---|---|---|---|---|
| **Europe:** 12/1 | 0.76 | 101.13% | 0.01% | 1.00 | 0.76 | 0.85 |
| **Eur. High Volatility:** 12/1 | 1.07 | 99.65 | 0.01 | 1.76 | 1.07 | 1.40 |
| **Europe Crossover:** 12/1 | 4.42 | 102.33 | 0.05 | 6.15 | 4.42 | 5.24 |
| **Asia ex-Japan IG:** 12/1 | 0.97 | 100.16 | 0.01 | 1.29 | 0.96 | 1.09 |
| **Japan:** 12/1 | 1.36 | 98.26 | 0.01 | 1.68 | 0.99 | 1.33 |

Note: Data as of December 22

### Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

*In percentage points*




Source: Markit Group

## Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

### Showing the biggest improvement...

| | Yesterday | CHANGE, in basis points Yesterday | Five-day | 28-day |
|---|---|---|---|---|
| **Promise** | 861 | **-40** | -120 | -139 |
| **Sanyo Shinpan Fin** | 866 | **-26** | -111 | -134 |
| **Acom** | 281 | **-21** | -98 | -151 |
| **Taisei** | 372 | **-20** | -28 | 17 |
| **Sanyo Elec** | 61 | **-8** | -14 | -14 |
| **Mitsubishi Matls** | 103 | **-7** | 3 | -4 |
| **Kawasaki Heavy Inds** | 156 | **-6** | -4 | 42 |
| **Kajima** | 339 | **-5** | -4 | 43 |
| **Chartered Semicon Mfg** | 158 | **-5** | -3 | 3 |
| **Obayashi** | 206 | **-4** | -9 | 12 |

### And the most deterioration

| | Yesterday | CHANGE, in basis points Yesterday | Five-day | 28-day |
|---|---|---|---|---|
| **Swire Pac** | 78 | **2** | 2 | -1 |
| **Toshiba** | 160 | **3** | -3 | -24 |
| **Lg Electrs** | 96 | **3** | 2 | -8 |
| **Marui Group** | 250 | **4** | 1 | 23 |
| **Kawasaki Kisen Kaisha** | 254 | **4** | ... | 37 |
| **Kowloon Canton Rwy** | 39 | **4** | 2 | -2 |
| **Nomura Hldgs** | 209 | **5** | 4 | 35 |
| **Fuji Heavy Inds** | 130 | **5** | -1 | -4 |
| **Toyota Tsusho** | 65 | **5** | -2 | 5 |
| **All Nippon Awys** | 336 | **5** | -14 | -2 |

Source: Markit Group

## Behind Europe's deals: Bank revenue rankings, European

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

| | Revenue, in millions | Market share | PERCENTAGE OF TOTAL REVENUE Equity capital markets | Debt capital markets | Mergers & acquisitions | Loans |
|---|---|---|---|---|---|---|
| **JPMorgan** | $1,650 | 8.5% | 48% | 23% | 27% | 2% |
| **Credit Suisse** | 1,244 | 6.4 | 37 | 37 | 24 | 1 |
| **Deutsche Bank** | 1,145 | 5.9 | 30 | 41 | 27 | 2 |
| **Goldman Sachs** | 1,059 | 5.5 | 38 | 16 | 45 | ... |
| **UBS** | 1,040 | 5.4 | 38 | 22 | 39 | 1 |
| **BNP Paribas** | 925 | 4.8 | 28 | 47 | 17 | 8 |
| **RBS** | 910 | 4.7 | 39 | 46 | 10 | 5 |
| **Citi** | 851 | 4.4 | 33 | 30 | 34 | 4 |
| **Morgan Stanley** | 838 | 4.3 | 49 | 20 | 30 | 1 |

Source: Dealogic

# GLOBAL MARKETS LINEUP

## Commodities

Prices of futures contracts with the most open interest

**EXCHANGE LEGEND: CBOT:** Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

| Commodity | Exchange | Last price | ONE-DAY CHANGE Net | ONE-DAY CHANGE Percentage | Contract high | Contract low |
|---|---|---|---|---|---|---|
| **Corn** (cents/bu.) | CBOT | **403.50** | 4.75 | **1.19%** | 712.25 | 315.50 |
| **Soybeans** (cents/bu.) | CBOT | **1005.00** | 6.50 | **0.65** | 1,560.00 | 805.00 |
| **Wheat** (cents/bu.) | CBOT | **528.50** | 5.50 | **1.05** | 1,029.25 | 459.00 |
| **Live cattle** (cents/lb.) | CME | **84.675** | -0.900 | **-1.05%** | 108.600 | 81.900 |
| **Cocoa** ($/ton) | ICE-US | **3,257** | -8 | **-0.25** | 3,510 | 1,994 |
| **Coffee** (cents/lb.) | ICE-US | **142.15** | -0.30 | **-0.21** | 188.65 | 115.00 |
| **Sugar** (cents/lb.) | ICE-US | **26.46** | -0.04 | **-0.15** | 26.94 | 11.91 |
| **Cotton** (cents/lb.) | ICE-US | **73.60** | -0.20 | **-0.27** | 84.00 | 49.67 |
| **Crude palm oil** (ringgit/ton) | MDEX | **2,500.00** | -15 | **-0.60** | 3,580 | 1,487 |
| **Cocoa** (pounds/ton) | LIFFE | **2,237** | -2 | **-0.09** | 2,337 | 1,310 |
| **Robusta coffee** ($/ton) | LIFFE | **1,332** | 4 | **0.30** | 1,710 | 1,309 |
| **Copper** (cents/lb.) | COMEX | **317.10** | 3.30 | **1.05** | 365.00 | 135.50 |
| **Gold** ($/troy oz.) | COMEX | **1092.10** | 5.40 | **0.50** | 1,227.50 | 762.30 |
| **Silver** (cents/troy oz.) | COMEX | **1717.00** | 14.00 | **0.82** | 2,011.50 | 1,045.00 |
| **Aluminum** ($/ton) | LME | **2,249.00** | 8.00 | **0.36** | 2,283.00 | 1,288.00 |
| **Tin** ($/ton) | LME | **15,850.00** | unch. | **unch.** | 15,945.00 | 9,750.00 |
| **Copper** ($/ton) | LME | **6,944.00** | 45.00 | **0.65** | 7,100.00 | 2,815.00 |
| **Lead** ($/ton) | LME | **2,327.50** | 27.50 | **1.20** | 2,487.00 | 870.00 |
| **Zinc** ($/ton) | LME | **2,475.00** | 47.00 | **1.94** | 2,475.00 | 1,086.00 |
| **Nickel** ($/ton) | LME | **18,005** | 255 | **1.44** | 21,150 | 9,475 |
| **Crude oil** ($/bbl.) | NYMEX | **76.28** | 1.88 | **2.53** | 117.00 | 47.60 |
| **Heating oil** ($/gal.) | NYMEX | **2.0267** | 0.0567 | **2.88** | 3.5570 | 1.3816 |
| **RBOB gasoline** ($/gal.) | NYMEX | **1.9647** | 0.0521 | **2.72** | 2.1342 | 1.2304 |
| **Natural gas** ($/mmBtu) | NYMEX | **5.796** | 0.062 | **1.08** | 12.590 | 4.550 |
| **Brent crude** ($/bbl.) | ICE-EU | **74.92** | 1.46 | **1.99** | 145.00 | 50.00 |
| **Gas oil** ($/ton) | ICE-EU | **609.25** | 22.50 | **3.83** | 790.00 | 443.50 |

Source: Thomson Reuters; WSJ Market Data Group

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## Currencies

London close on Dec. 23

| AMERICAS | Per euro | In euros | Per U.S. dollar | In U.S. dollars |
|---|---|---|---|---|
| **Argentina** peso-a | 5.4379 | 0.1839 | 3.7945 | 0.2635 |
| **Brazil** real | 2.5439 | 0.3931 | 1.7751 | 0.5633 |
| **Canada** dollar | 1.5037 | 0.6650 | 1.0493 | 0.9531 |
| 1-mo. forward | 1.5037 | 0.6650 | 1.0492 | 0.9531 |
| 3-mos. forward | 1.5037 | 0.6650 | 1.0493 | 0.9530 |
| 6-mos. forward | 1.5041 | 0.6649 | 1.0495 | 0.9528 |
| **Chile** peso | 728.44 | 0.001373 | 508.30 | 0.001967 |
| **Colombia** peso | 2927.18 | 0.0003416 | 2042.55 | 0.0004896 |
| **Ecuador** US dollar-f | 1.4331 | 0.6978 | 1 | 1 |
| **Mexico** peso-a | 18.4861 | 0.0541 | 12.8994 | 0.0775 |
| **Peru** sol | 4.1295 | 0.2422 | 2.8816 | 0.3470 |
| **Uruguay** peso-e | 28.160 | 0.0355 | 19.650 | 0.0509 |
| **U.S.** dollar | 1.4331 | 0.6978 | 1 | 1 |
| **Venezuela** bolivar | 3.08 | 0.324961 | 2.15 | 0.465701 |
| **ASIA-PACIFIC** | | | | |
| **Australia** dollar | 1.6268 | 0.6147 | 1.1351 | 0.8810 |
| **China** yuan | 9.7857 | 0.1022 | 6.8284 | 0.1464 |
| **Hong Kong** dollar | 11.1120 | 0.0900 | 7.7538 | 0.1290 |
| **India** rupee | 67.0404 | 0.0149 | 46.7800 | 0.0214 |
| **Indonesia** rupiah | 13614 | 0.0000734 | 9500 | 0.0001053 |
| **Japan** yen | 131.01 | 0.007633 | 91.42 | 0.010939 |
| 1-mo. forward | 130.99 | 0.007634 | 91.40 | 0.010941 |
| 3-mos. forward | 130.95 | 0.007637 | 91.37 | 0.010944 |
| 6-mos. forward | 130.82 | 0.007644 | 91.29 | 0.010954 |
| **Malaysia** ringgit-c | 4.9263 | 0.2030 | 3.4375 | 0.2909 |
| **New Zealand** dollar | 2.0345 | 0.4915 | 1.4196 | 0.7044 |
| **Pakistan** rupee | 120.810 | 0.0083 | 84.300 | 0.0119 |
| **Philippines** peso | 66.496 | 0.0150 | 46.400 | 0.0216 |
| **Singapore** dollar | 2.0188 | 0.4953 | 1.4087 | 0.7099 |
| **South Korea** won | 1694.64 | 0.0005901 | 1182.50 | 0.0008457 |
| **Taiwan** dollar | 46.375 | 0.02156 | 32.360 | 0.03090 |
| **Thailand** baht | 47.801 | 0.02092 | 33.355 | 0.02998 |

| EUROPE | Per euro | In euros | Per U.S. dollar | In U.S. dollars |
|---|---|---|---|---|
| **Euro zone** euro | 1 | 1 | 0.6978 | 1.4331 |
| 1-mo. forward | 1.0000 | 1.0000 | 0.6978 | 1.4331 |
| 3-mos. forward | 1.0001 | 0.9999 | 0.6979 | 1.4329 |
| 6-mos. forward | 1.0005 | 0.9995 | 0.6981 | 1.4324 |
| **Czech Rep.** koruna-b | 26.415 | 0.0379 | 18.432 | 0.0543 |
| **Denmark** krone | 7.4436 | 0.1343 | 5.1941 | 0.1925 |
| **Hungary** forint | 273.60 | 0.003655 | 190.92 | 0.005238 |
| **Norway** krone | 8.3480 | 0.1198 | 5.8251 | 0.1717 |
| **Poland** zloty | 4.1580 | 0.2405 | 2.9014 | 0.3447 |
| **Russia** ruble-d | 43.290 | 0.02310 | 30.207 | 0.03310 |
| **Sweden** krona | 10.4280 | 0.0959 | 7.2766 | 0.1374 |
| **Switzerland** franc | 1.4893 | 0.6714 | 1.0393 | 0.9622 |
| 1-mo. forward | 1.4890 | 0.6716 | 1.0390 | 0.9625 |
| 3-mos. forward | 1.4884 | 0.6719 | 1.0386 | 0.9628 |
| 6-mos. forward | 1.4870 | 0.6725 | 1.0376 | 0.9637 |
| **Turkey** lira | 2.1759 | 0.4596 | 1.5183 | 0.6586 |
| **U.K.** pound | 0.8973 | 1.1145 | 0.6261 | 1.5972 |
| 1-mo. forward | 0.8974 | 1.1143 | 0.6262 | 1.5969 |
| 3-mos. forward | 0.8978 | 1.1139 | 0.6265 | 1.5963 |
| 6-mos. forward | 0.8982 | 1.1133 | 0.6268 | 1.5955 |
| **MIDDLE EAST/AFRICA** | | | | |
| **Bahrain** dinar | 0.5403 | 1.8509 | 0.3770 | 2.6526 |
| **Egypt** pound-a | 7.8849 | 0.1268 | 5.5020 | 0.1818 |
| **Israel** shekel | 5.4451 | 0.1837 | 3.7995 | 0.2632 |
| **Jordan** dinar | 1.0146 | 0.9856 | 0.7080 | 1.4124 |
| **Kuwait** dinar | 0.4120 | 2.4274 | 0.2875 | 3.4787 |
| **Lebanon** pound | 2153.23 | 0.0004644 | 1502.50 | 0.0006656 |
| **Saudi Arabia** riyal | 5.3751 | 0.1860 | 3.7507 | 0.2666 |
| **South Africa** rand | 10.9131 | 0.0916 | 7.6150 | 0.1313 |
| **United Arab** dirham | 5.2639 | 0.1900 | 3.6731 | 0.2722 |
| **SDR** -f | 0.9182 | 1.0891 | 0.6407 | 1.5607 |

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

## Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

| Price-to-earnings ratio* | Region/Country | Index | PREVIOUS SESSION Close | PREVIOUS SESSION Net change | PREVIOUS SESSION Percentage change | PERFORMANCE Yr.-to-date | PERFORMANCE 52-wk. |
|---|---|---|---|---|---|---|---|
| 33 | **ASIA-PACIFIC** | DJ Asia-Pacific | 121.11 | 0.79 | **0.66%** | 29.4% | 34.3% |
| ... | Australia | SPX/ASX 200 | 4739.34 | 35.09 | **0.75** | 27.3 | 32.3 |
| ... | China | CBN 600 | 27152.34 | 283.22 | **1.05** | 83.9 | 78.5 |
| 20 | Hong Kong | Hang Seng | 21328.74 | 236.70 | **1.12** | 48.2 | 50.4 |
| 19 | India | Sensex | 17231.11 | 539.11 | **3.23** | 78.6 | 80.1 |
| ... | Indonesia | Jakarta Composite | 2474.883 | 7.246 | **0.29** | 82.6 | 85.2 |
| ... | Japan | Nikkei Stock Average | 10378.03 | | **Closed** | 17.1 | 21.8 |
| ... | | Topix | 903.06 | | **Closed** | 5.1 | 9.2 |
| ... | Malaysia | Kuala Lumpur Composite | 1260.53 | 0.11 | **0.01** | 43.8 | 45.0 |
| ... | New Zealand | NZSX-50 | 3209.562 | 30.378 | **0.96** | 18.2 | 20.3 |
| 9 | Pakistan | KSE 100 | 9302.92 | -29.55 | **-0.32%** | 58.6 | 39.7 |
| 15 | Philippines | Manila Composite | 3024.33 | 8.17 | **0.27** | 61.5 | 61.5 |
| ... | Singapore | Straits Times | 2841.56 | 17.74 | **0.63** | 61.3 | 63.6 |
| 11 | South Korea | Kospi | 1661.35 | 5.81 | **0.35** | 47.7 | 47.2 |
| 21 | Taiwan | Weighted | 7901.50 | 45.50 | **0.58** | 72.1 | 78.6 |
| 10 | Thailand | SET | 729.80 | 5.40 | **0.75** | 62.2 | 66.2 |
| 50 | **EUROPE** | DJ Stoxx 600 | 251.35 | 0.20 | **0.08** | 27.7 | 30.6 |
| 22 | | DJ Stoxx 50 | 2566.42 | 5.00 | **0.20** | 24.3 | 27.7 |
| 62 | **Euro Zone** | DJ Euro Stoxx | 273.42 | 0.46 | **0.17%** | 22.7% | 26.2% |
| 20 | | DJ Euro Stoxx 50 | 2952.09 | 6.38 | **0.22** | 20.4 | 24.2 |
| 18 | Denmark | OMX Copenhagen | 314.16 | 0.74 | **0.24** | 38.9 | 39.6 |
| 20 | Finland | OMX Helsinki | 6361.53 | 18.22 | **0.29** | 17.7 | 20.6 |
| 19 | France | CAC-40 | 3910.75 | 12.37 | **0.32** | 21.5 | 25.5 |
| 21 | Germany | DAX | 5957.44 | 11.75 | **0.20** | 23.9 | 28.7 |
| 16 | Italy | FTSE MIB | 23109.12 | 126.56 | **0.55** | 18.8 | 20.7 |
| ... | Netherlands | AEX | 332.83 | 0.35 | **0.11** | 35.3 | 37.6 |
| ... | Russia | RTSI | 1434.60 | 17.38 | **1.23** | 127.0 | 114.9 |
| 11 | Spain | IBEX 35 | 11967.5 | 76.7 | **0.65** | 30.1 | 32.0 |
| 15 | Switzerland | SMI | 6579.98 | -2.92 | **-0.04%** | 18.9 | 21.9 |
| ... | Turkey | ISE National 100 | 51162.24 | -370.28 | **-0.72** | 90.4 | 96.4 |
| 15 | U.K. | FTSE 100 | 5372.38 | 43.72 | **0.82** | 21.2 | 27.4 |
| 21 | **AMERICAS** | DJ Americas | 296.32 | 0.28 | **0.09** | 31.0 | 36.8 |
| ... | Brazil | Bovespa | 67444.66 | 26.73 | **0.04** | 79.6 | 84.9 |
| ... | Argentina | Merval | 2248.42 | 7.33 | **0.33** | 108.3 | 116.5 |
| 21 | Mexico | IPC | 32387.08 | 146.76 | **0.46** | 44.7 | 45.0 |

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

**Reuters Group PLC** is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

## Dow Jones and Dow Jones Stoxx Indexes

| Dividend yield* | Price-to-earnings ratio* | Dows Jones Index | Last | Net change | PERFORMANCE Daily | PERFORMANCE Year-to-date | PERFORMANCE 52-wk. | Three-yr., annualized |
|---|---|---|---|---|---|---|---|---|
| 2.19% | 20 | **DJ Global Index** | 225.09 | 0.81 | **0.81%** | 35.8% | 0.4% | -6.5% |
| 1.89 | 21 | **Global DOW** | 1969.22 | 8.07 | **8.07** | 33.4 | 0.4 | -2.2 |
| 2.36 | | **Asia/Pacific 600** | 113.46 | 0.50 | **0.50** | 23.5 | 0.4 | -7.9 |
| 1.78 | 15 | **Emerging Markets** | 272.31 | 2.52 | **2.52** | 78.7 | 0.9 | 3.0 |
| 2.14 | 33 | **Asia/Pacific** | 121.11 | 0.79 | **0.79** | 34.3 | 0.7 | -5.8 |
| 2.41 | 14 | **Asia/Pacific ex-Japan** | 304.96 | 3.15 | **3.15** | 70.7 | 1.0 | 0.2 |
| 2.57 | 22 | **Southeast Asia** | 155.40 | 0.69 | **0.69** | 76.6 | 0.4 | 2.1 |
| 0.87 | 29 | **CBN China 600** -c | 27152.34 | 283.22 | **283.22** | 78.5 | 1.1 | 22.6 |
| 0.89 | 32 | **Shanghai** | 362.57 | 3.51 | **3.51** | 78.8 | 1.0 | 22.8 |
| 0.62 | 45 | **Shenzhen** | 389.84 | 6.05 | **6.05** | 97.6 | 1.6 | 28.5 |
| 2.24 | 19 | **China Offshore 50** | 3976.72 | 44.36 | **44.36** | 53.5 | 1.1 | 7.7 |
| 8.65 | 9 | **Australia LPT** -c, d | 1134.68 | 21.02 | **21.02** | 1.9 | 1.9 | -21.3 |

| Dividend yield* | Price-to-earnings ratio* | Dows Jones Index | Last | Net change | PERFORMANCE Daily | PERFORMANCE Year-to-date | PERFORMANCE 52-wk. | Three-yr., annualized |
|---|---|---|---|---|---|---|---|---|
| 2.08% | 15 | **Islamic Market** | 1960.20 | 7.22 | **7.22%** | 37.9% | 0.4% | -1.6% |
| 2.36 | 16 | **Islamic Market 100** | 2113.51 | 4.67 | **4.67** | 25.4 | 0.2 | -2.3 |
| 9.76 | 14 | **Bahrain** | 120.49 | -1.33 | **-1.33** | -22.3 | -1.1 | -13.1 |
| 2.81 | 33 | **Kuwait** | 196.78 | -1.02 | **-1.02** | -19.5 | -0.5 | -15.4 |
| 2.62 | 20 | **Sustainability** | 1001.92 | 4.37 | **4.37** | 34.5 | 0.4 | -7.3 |
| 2.72 | 50 | **Stoxx 600 -p** | 266.95 | 0.13 | **0.13** | 32.8 | 0.1 | -9.2 |
| 4.74 | 17 | **Stoxx Select Div 30 -p** | 1765.77 | 9.46 | **9.46** | 31.5 | 0.5 | -21.4 |
| 3.98 | 23 | **Euro Stoxx Sel Div 30 -p** | 2096.13 | 5.61 | **5.61** | 32.2 | 0.3 | -16.8 |
| 1.72 | 30 | **DJ U.S. TSM** | 11523.10 | 2.96 | **2.96** | 32.3 | 0.0 | -6.7 |
| 5.25 | 12 | **U.S. Select Dividend -d** | 652.35 | -0.58 | **-0.58** | 16.6 | -0.1 | -9.8 |
| 4.42 | | **U.S. REIT** | 146.97 | 0.59 | **0.59** | 26.2 | 0.4 | -17.4 |
| | | **DJ-UBS Commodity -p** | 134.85 | -0.09 | **-0.09** | 21.0 | -0.1 | -6.8 |

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

## Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

| | US$ | A$ | £ | C$ | YUAN | EURO | HK$ | RUPEE | RUPIAH | YEN | NZ$ | WON | RINGGIT | PH. PESO | S$ | S FRANC | TW$ | BAHT |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **U.S.** | | 1.135 | 0.626 | 1.049 | 6.828 | 0.698 | 7.754 | 46.780 | 9500.29 | 91.420 | 1.420 | 1182.49 | 3.438 | 46.400 | 1.409 | 1.039 | 32.360 | 33.355 |
| **Australia** | 0.881 | | 0.552 | 0.924 | 6.015 | 0.615 | 6.831 | 41.211 | 8369.28 | 80.536 | 1.251 | 1041.72 | 3.028 | 40.876 | 1.241 | 0.916 | 28.508 | 29.384 |
| **Britain** | 1.597 | 1.813 | | 1.676 | 10.906 | 1.114 | 12.384 | 74.715 | 15173.38 | 146.011 | 2.267 | 1888.62 | 5.490 | 74.108 | 2.250 | 1.660 | 51.684 | 53.273 |
| **Canada** | 0.953 | 1.082 | 0.597 | | 6.508 | 0.665 | 7.390 | 44.584 | 9054.36 | 87.129 | 1.353 | 1126.99 | 3.276 | 44.222 | 1.343 | 0.990 | 30.841 | 31.789 |
| **China** | 0.1464 | 0.166 | 0.092 | 0.154 | | 0.102 | 1.136 | 6.851 | 1391.30 | 13.388 | 0.208 | 173.17 | 0.503 | 6.795 | 0.206 | 0.152 | 4.739 | 4.885 |
| **Euro** | 1.433 | 1.627 | 0.897 | 1.504 | 9.786 | | 11.112 | 67.040 | 13614.86 | 131.014 | 2.034 | 1694.63 | 4.926 | 66.496 | 2.019 | 1.489 | 46.375 | 47.801 |
| **Hong Kong** | 0.129 | 0.146 | 0.081 | 0.135 | 0.881 | 0.090 | | 6.033 | 1225.24 | 11.790 | 0.183 | 152.51 | 0.443 | 5.984 | 0.182 | 0.134 | 4.173 | 4.302 |
| **India** | 0.0214 | 0.0243 | 0.0134 | 0.0224 | 0.1460 | 0.0149 | 0.1658 | | 203.08 | 1.9543 | 0.0303 | 25.28 | 0.0735 | 0.9919 | 0.0301 | 0.0222 | 0.6917 | 0.7130 |
| **Indonesia** | 0.0001 | 0.0001 | 0.0001 | 0.0001 | 0.0007 | 0.0001 | 0.0008 | 0.0049 | | 0.0096 | 0.0001 | 0.12 | 0.0004 | 0.0049 | 0.0001 | 0.0001 | 0.0034 | 0.0035 |
| **Japan** | 0.011 | 0.012 | 0.007 | 0.011 | 0.075 | 0.008 | 0.085 | 0.512 | 103.92 | | 0.016 | 12.93 | 0.038 | 0.508 | 0.015 | 0.011 | 0.354 | 0.365 |
| **New Zealand** | 0.704 | 0.800 | 0.441 | 0.739 | 4.810 | 0.492 | 5.462 | 32.952 | 6692.00 | 64.396 | | 832.95 | 2.421 | 32.684 | 0.992 | 0.732 | 22.794 | 23.495 |
| **South Korea** | 0.0008 | 0.0010 | 0.0005 | 0.0009 | 0.0058 | 0.0006 | 0.0066 | 0.0396 | 8.03 | 0.0773 | 0.0012 | | 0.0029 | 0.0392 | 0.0012 | 0.0009 | 0.0274 | 0.0282 |
| **Malaysia** | 0.291 | 0.330 | 0.182 | 0.305 | 1.986 | 0.203 | 2.256 | 13.609 | 2763.72 | 26.595 | 0.413 | 344.00 | | 13.498 | 0.410 | 0.302 | 9.414 | 9.703 |
| **Philippines** | 0.022 | 0.024 | 0.013 | 0.023 | 0.147 | 0.015 | 0.167 | 1.008 | 204.75 | 1.970 | 0.031 | 25.48 | 0.074 | | 0.030 | 0.022 | 0.697 | 0.719 |
| **Singapore** | 0.710 | 0.806 | 0.444 | 0.745 | 4.847 | 0.495 | 5.504 | 33.208 | 6744.01 | 64.897 | 1.008 | 839.42 | 2.440 | 32.938 | | 0.738 | 22.972 | 23.678 |
| **Switzerland** | 0.962 | 1.092 | 0.602 | 1.010 | 6.570 | 0.671 | 7.461 | 45.013 | 9141.48 | 87.967 | 1.366 | 1137.83 | 3.308 | 44.648 | 1.355 | | 31.138 | 32.095 |
| **Taiwan** | 0.031 | 0.035 | 0.019 | 0.032 | 0.211 | 0.022 | 0.240 | 1.446 | 293.58 | 2.825 | 0.044 | 36.54 | 0.106 | 1.434 | 0.044 | 0.032 | | 1.031 |
| **Thailand** | 0.030 | 0.034 | 0.019 | 0.031 | 0.205 | 0.021 | 0.232 | 1.402 | 284.82 | 2.741 | 0.043 | 35.45 | 0.103 | 1.391 | 0.042 | 0.031 | 0.970 | |

Source: Thomson Reuters via WSJ Market Data Group

## MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of December. 23, 2009

| Dividend yield | Price-to-earnings ratio | Morgan Stanley Index | Last | LOCAL-CURRENCY PERFORMANCE Daily | YTD | 52-wk. |
|---|---|---|---|---|---|---|
| 2.50% | 25 | **ALL COUNTRY (AC) WORLD*** | 296.00 | 0.37% | **30.0%** | 34.5% |
| 2.50 | 26 | **World (Developed Markets)** | 1,159.32 | 0.31 | **26.0** | 29.8 |
| 1.90 | 124 | **World Small Cap** | 188.56 | 0.43 | **40.5** | 48.7 |
| 2.60 | 22 | **Kokusai (World ex-Japan)** | 1,148.68 | 0.29 | **28.7** | 31.9 |
| 3.10 | 26 | **EAFE** | 1,553.72 | 0.23 | **25.6** | 33.0 |
| 2.20 | 20 | **Emerging Markets (EM)** | 953.92 | 0.79 | **68.2** | 81.0 |
| 2.60 | 25 | **AC ASIA PACIFIC EX-JAPAN** | 398.20 | 0.85 | **61.0** | 75.1 |
| 2.10 | 25 | **AC Far East ex-Japan** | 433.23 | 0.94 | **58.9** | 74.8 |
| 1.80 | 35 | **Japan** | 564.52 | 1.43 | **6.5** | 9.5 |
| 1.90 | 20 | **China** | 62.17 | 0.80 | **52.4** | 68.4 |
| 0.90 | 39 | **China A (China Domestic)** | 3,130.63 | -2.66 | **80.5** | 80.1 |
| 2.60 | 23 | **Hong Kong** | 9,828.23 | 0.36 | **49.9** | 55.5 |
| 1.00 | 21 | **India** | 678.96 | 0.62 | **83.9** | 96.0 |
| 1.10 | 24 | **Korea** | 471.70 | 0.78 | **53.7** | 57.9 |
| 2.40 | 21 | **Malaysia** | 465.64 | 0.45 | **45.0** | 46.7 |
| 3.10 | 17 | **Singapore** | 1,580.03 | 1.40 | **58.5** | 60.6 |
| 2.70 | 315 | **Taiwan** | 283.71 | 1.07 | **63.6** | 69.4 |
| 3.10 | 20 | **Thailand** | 296.07 | 1.73 | **60.0** | 78.4 |
| 4.00 | 25 | **Australia** | 966.93 | 1.61 | **26.4** | 25.2 |
| 5.30 | 16 | **New Zealand** | 85.45 | 0.96 | **12.6** | 10.2 |
| 1.90 | 32 | **US BROAD MARKET** | 1,239.77 | 0.44 | **26.2** | 28.2 |
| 3.40 | 17 | **EUROPE** | 87.36 | 0.66 | **25.8** | 20.8 |

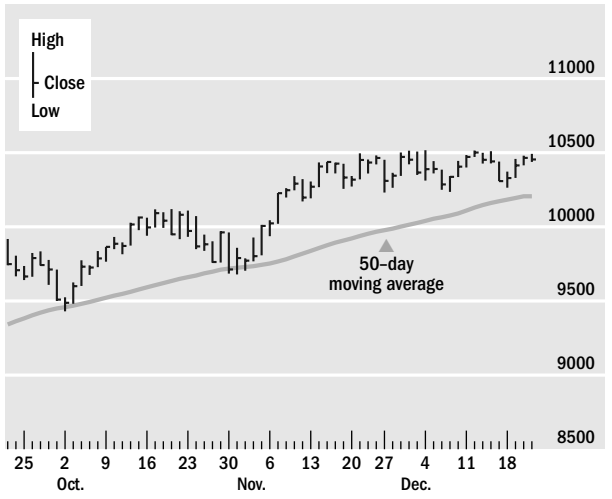
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

# SCANNING THE GLOBE

## Dow Jones Industrial Average P/E: 18

LAST: **10454.27** ▼ 10.66, or 0.10%
YEAR TO DATE: ▲ **1,677.88, or 19.1%**
OVER 52 WEEKS ▲ **1,985.79, or 23.4%**




## Nasdaq Composite Index P/E: 44*

LAST: **2260.25** ▲ 7.58, or 0.34%
YEAR TO DATE: ▲ **683.22, or 43.3%**
OVER 52 WEEKS ▲ **735.35, or 48.2%**

## S&P 500 Index P/E: 73

LAST: **1118.24** ▲ 0.22, or 0.02%
YEAR TO DATE: ▲ **214.99, or 23.8%**
OVER 52 WEEKS ▲ **250.09, or 28.8%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

## DJIA component stocks

| Stock | Symbol | Volume, in millions | Latest | CHANGE Points | CHANGE Percentage |
|---|---|---|---|---|---|
| **AT&T** | T | **6.20** | $27.94 | 0.04 | **0.14%** |
| **Alcoa** | AA | **10.60** | 15.84 | 0.05 | **0.30** |
| **AmExpress** | AXP | **2.10** | 41.64 | 0.22 | **0.53** |
| **BankAm** | BAC | **47.80** | 15.24 | -0.09 | **-0.58** |
| **Boeing** | BA | **1.20** | 55.28 | 0.18 | **0.32** |
| **Caterpillar** | CAT | **2.00** | 58.42 | 0.53 | **0.92** |
| **Chevron** | CVX | **2.80** | 77.29 | -0.20 | **-0.26** |
| **CiscoSys** | CSCO | **9.90** | 23.75 | 0.00 | **0.01** |
| **CocaCola** | KO | **2.10** | 57.19 | -0.08 | **-0.14** |
| **Disney** | DIS | **2.70** | 32.29 | -0.02 | **-0.06** |
| **DuPont** | DD | **1.50** | 32.68 | -0.02 | **-0.06** |
| **ExxonMobil** | XOM | **8.70** | 68.41 | -0.16 | **-0.24** |
| **GenElec** | GE | **16.60** | 15.38 | 0.00 | **0.00** |
| **HewlettPk** | HPQ | **3.30** | 52.22 | -0.24 | **-0.46** |
| **HomeDpt** | HD | **4.60** | 28.95 | -0.34 | **-1.17** |
| **Intel** | INTC | **17.20** | 20.03 | -0.01 | **-0.05** |
| **IBM** | IBM | **1.80** | 129.90 | -0.03 | **-0.02** |
| **JPMorgChas** | JPM | **10.90** | 41.62 | -0.32 | **-0.76** |
| **JohnsJohns** | JNJ | **2.40** | 64.59 | 0.06 | **0.09** |
| **KftFoods** | KFT | **1.80** | 27.37 | 0.07 | **0.27** |
| **McDonalds** | MCD | **2.20** | 63.31 | 0.34 | **0.54** |
| **Merck** | MRK | **4.60** | 37.31 | -0.45 | **-1.18** |
| **Microsoft** | MSFT | **10.00** | 30.88 | 0.06 | **0.19** |
| **Pfizer** | PFE | **12.70** | 18.68 | 0.07 | **0.38** |
| **ProctGamb** | PG | **2.80** | 61.16 | -0.14 | **-0.23** |
| **3M** | MMM | **0.70** | 81.98 | 0.02 | **0.02** |
| **TravelersCos** | TRV | **1.00** | 49.13 | 0.19 | **0.39** |
| **UnitedTech** | UTX | **1.30** | 69.41 | 0.06 | **0.09** |
| **Verizon** | VZ | **3.70** | 33.32 | 0.12 | **0.36** |
| **WalMart** | WMT | **3.10** | 53.41 | 0.07 | **0.13** |

## U.S. stocks: most active...

| Stock | Symbol | Volume, in millions | Latest | CHANGE Points | CHANGE Percentage |
|---|---|---|---|---|---|
| **Citigroup** | C | **227.7** | $3.27 | –$0.07 | **–2.10%** |
| **BankAm** | BAC | **48.3** | 15.23 | –0.10 | **–0.65** |
| **SPDR S&P 500** | SPY | **46.8** | 111.91 | 0.18 | **0.16** |
| **FordMotor** | F | **39.7** | 10.00 | 0.10 | **1.01** |
| **MicronTch** | MU | **39.2** | 9.90 | 0.49 | **5.20** |
| **PwrShrs QQQ** | QQQQ | **37.4** | 45.44 | 0.21 | **0.46** |
| **iShrRu2000** | IWM | **25.9** | 62.83 | 0.26 | **0.42** |
| **E Trade** | ETFC | **22.1** | 1.78 | 0.01 | **0.56** |
| **iShrMSCIEmrgMkt** | EEM | **21.3** | 40.74 | 0.35 | **0.87** |
| **SPDR FnclSelSct** | XLF | **20.6** | 14.42 | –0.04 | **–0.28** |
| **BrisMyrsSqb** | BMY | **19.0** | 25.53 | –0.06 | **–0.23** |
| **MGM Mirage** | MGM | **17.6** | 9.43 | 0.30 | **3.29** |
| **Intel** | INTC | **17.2** | 20.03 | –0.01 | **–0.05** |
| **GenElec** | GE | **16.7** | 15.37 | –0.01 | **–0.05** |
| **Compugen** | CGEN | **16.1** | 4.89 | 2.05 | **72.18** |

## Biggest gainers...

| | | | | | |
|---|---|---|---|---|---|
| **pSivida** | PSDV | **2,487.0** | $5.30 | $1.78 | **50.57%** |
| **GlblTchAdv** | GAI | **43.3** | 11.36 | 2.36 | **26.22** |
| **FSI Int** | FSII | **1,254.5** | 2.37 | 0.37 | **18.50** |
| **ShilohInd** | SHLO | **6.1** | 5.49 | 0.75 | **15.82** |
| **AchillionPharm** | ACHN | **2,625.7** | 3.68 | 0.50 | **15.72** |

## ...Biggest losers

| | | | | | |
|---|---|---|---|---|---|
| **SearchMedWt** | IDI% | **90.7** | $2.20 | -$0.70 | **-24.07%** |
| **CambmLearnGp** | ABCD | **133.6** | 4.30 | -1.20 | **-21.82** |
| **SuperiorBcp** | SUPR | **71.9** | 3.15 | -0.57 | **-15.32** |
| **CintasCp** | CTAS | **3,977.6** | 26.45 | -3.23 | **-10.88** |
| **RuthsHospitlty** | RUTH | **466.5** | 2.42 | -0.27 | **-10.04** |

## ADRs of Asian companies*

| 52-WEEK High | 52-WEEK Low | Stock | Symbol | Volume, in OOOs | Latest | CHANGE Points | CHANGE Percentage |
|---|---|---|---|---|---|---|---|
| $11.40 | $6.36 | **Taiwan Semi** | TSM | **2,581.5** | $11.27 | -0.02 | **-0.22%** |
| 15.95 | 8.56 | **China Unicom** | CHU | **1,420.1** | 12.49 | 0.03 | **0.24** |
| 11.88 | 6.25 | **AU Optrncs** | AUO | **939.2** | 11.77 | -0.11 | **-0.93** |
| 59.22 | 40.20 | **China Mobile** | CHL | **878.9** | 44.96 | -0.35 | **-0.77** |
| 78.75 | 33.09 | **BHP Billiton** | BHP | **854.4** | 74.72 | 1.45 | **1.98** |
| 3.87 | 1.65 | **Utd Microelectronics** | UMC | **634.5** | 3.77 | -0.03 | **-0.79** |
| 18.80 | 12.59 | **SK Telecom** | SKM | **465.7** | 16.40 | -0.01 | **-0.06** |
| 6.84 | 3.71 | **Mitsu UFJ Fnl** | MTU | **461.0** | 5.21 | 0.05 | **0.97** |
| 55.53 | 22.61 | **Infosys Tech** | INFY | **387.4** | 55.40 | 0.95 | **1.74** |
| 8.19 | 3.78 | **Siliconware Prec Ind** | SPIL | **387.2** | 6.89 | 0.02 | **0.29** |
| 4.63 | 1.49 | **Adv Semi Engrg** | ASX | **344.8** | 4.42 | 0.09 | **2.08** |
| 30.82 | 15.64 | **Sony** | SNE | **341.0** | 29.27 | 0.14 | **0.48** |
| 19.56 | 15.05 | **ChunghwaTel** | CHT | **190.8** | 17.99 | 0.03 | **0.17** |
| 135.92 | 63.94 | **PetroChina** | PTR | **185.6** | 118.29 | 1.86 | **1.60** |
| 15.29 | 6.85 | **Korea Elec Pwr** | KEP | **168.2** | 13.75 | 0.10 | **0.73** |
| 34.52 | 19.60 | **Honda Motor** | HMC | **121.5** | 33.89 | 0.15 | **0.43** |
| 32.79 | 9.91 | **Aluminum Cp of China** | ACH | **120.7** | 27.44 | 0.40 | **1.48** |
| 81.00 | 37.43 | **China Life Ins** | LFC | **105.3** | 72.24 | 0.81 | **1.13** |
| 22.15 | 5.11 | **Yanzhou Coal Mining** | YZC | **104.7** | 21.11 | 0.34 | **1.65** |
| 17.79 | 11.30 | **KT Corp** | KTC | **99.7** | 17.17 | -0.05 | **-0.29** |
| 4.00 | 1.43 | **SemiMfgInt** | SMI | **79.4** | 3.10 | 0.06 | **1.97** |
| 9.50 | 3.96 | **Nomura Hldgs** | NMR | **73.8** | 7.54 | 0.02 | **0.27** |
| 128.48 | 45.37 | **Westpac Banking** | WBK | **70.8** | 109.99 | 3.75 | **3.53** |
| 7.10 | 2.00 | **Alumina** | AWC | **67.5** | 6.36 | 0.03 | **0.47** |
| 42.51 | 21.23 | **Canon** | CAJ | **66.4** | 41.97 | 0.29 | **0.70** |
| 87.67 | 56.79 | **Toyota Motor** | TM | **64.0** | 83.36 | -0.05 | **-0.06** |
| 150.50 | 47.09 | **POSCO** | PKX | **60.5** | 128.76 | 1.86 | **1.47** |
| 56.41 | 31.92 | **ChinaTele** | CHA | **60.3** | 40.60 | 0.14 | **0.35** |
| 167.15 | 75.59 | **CNOOC** | CEO | **60.0** | 153.91 | 1.35 | **0.89** |
| 19.81 | 7.02 | **China Southern Air** | ZNH | **54.9** | 15.83 | 0.47 | **3.06** |

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

## Global government bonds

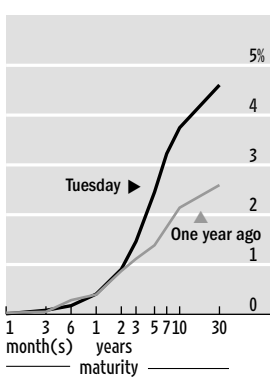
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

| Coupon | Country/ Maturity, in years | Yield | SPREAD OVER TREASURYS, in basis points Latest | Previous | Month ago | Year ago | YIELD Previous | YIELD Month ago | YIELD Year ago |
|---|---|---|---|---|---|---|---|---|---|
| 5.750% | **Australia** 2 | **4.360%** | **347.1** | 344.1 | 372.9 | **194.3** | **4.330%** | 4.458% | **2.848%** |
| 4.500 | 10 | **5.635** | **192.2** | 183.1 | 208.1 | **193.2** | **5.575** | 5.451 | **4.108** |
| 5.000 | **Austria** 2 | **1.663** | **77.4** | 6.4 | 18.8 | **120.6** | **0.953** | 0.917 | **2.111** |
| 3.900 | 10 | **3.816** | **10.3** | -11.6 | 25.8 | **168.2** | **3.628** | 3.628 | **3.858** |
| 3.500 | **Belgium** 2 | **1.013** | **12.4** | 14.7 | 38.1 | **137.1** | **1.036** | 1.110 | **2.276** |
| 4.000 | 10 | **3.651** | **-6.2** | -11.1 | 27.1 | **160.5** | **3.633** | 3.641 | **3.781** |
| 1.250 | **Canada** 2 | **1.379** | **49.0** | 50.5 | 52.6 | **30.9** | **1.394** | 1.255 | **1.214** |
| 3.750 | 10 | **3.576** | **-13.7** | -13.3 | 1.3 | **62.5** | **3.611** | 3.383 | **2.801** |
| 4.000 | **Denmark** 2 | **2.032** | **114.3** | 113.8 | 144.2 | **184.0** | **2.027** | 2.171 | **2.745** |
| 4.000 | 10 | **3.567** | **-14.6** | -19.8 | 24.8 | **121.6** | **3.546** | 3.618 | **3.392** |
| 1.500 | **France** 2 | **1.086** | **19.7** | 21.4 | 54.4 | **127.8** | **1.103** | 1.273 | **2.183** |
| 3.750 | 10 | **3.508** | **-20.5** | -24.3 | 18.1 | **123.4** | **3.501** | 3.551 | **3.410** |
| 1.250 | **Germany** 2 | **1.187** | **29.8** | 32.4 | 58.5 | **85.9** | **1.213** | 1.314 | **1.764** |
| 3.250 | 10 | **3.296** | **-41.7** | -47.5 | -11.2 | **76.7** | **3.269** | 3.258 | **2.943** |
| 0.550 | **Hong Kong** 2 | **0.681** | **-20.8** | -33.7 | -27.4 | **-21.0** | **0.552** | 0.455 | **0.695** |
| 2.160 | 10 | **2.736** | **-97.7** | -118.9 | -117.8 | **-81.7** | **2.555** | 2.192 | **1.359** |
| 3.750 | **Italy** 2 | **1.482** | **59.3** | 60.0 | 82.0 | **209.5** | **1.489** | 1.549 | **3.000** |
| 4.250 | 10 | **4.023** | **31.0** | 28.0 | 69.5 | **211.1** | **4.024** | 4.065 | **4.287** |
| 0.200 | **Japan** 2 | **0.170** | **-71.9** | -71.9 | -47.9 | **-42.0** | **0.170** | 0.250 | **0.485** |
| 1.300 | 10 | **1.253** | **-246.0** | -249.1 | -206.5 | **-92.6** | **1.253** | 1.305 | **1.250** |
| 4.000 | **Netherlands** 2 | **0.808** | **-8.1** | -7.4 | 19.4 | **110.6** | **0.815** | 0.923 | **2.011** |
| 4.000 | 10 | **3.464** | **-24.9** | -30.0 | 15.4 | **138.1** | **3.444** | 3.524 | **3.557** |
| 3.200 | **Portugal** 2 | **1.291** | **40.2** | 43.5 | 47.7 | **173.9** | **1.324** | 1.206 | **2.644** |
| 4.750 | 10 | **4.006** | **29.3** | 26.1 | 45.1 | **178.1** | **4.005** | 3.821 | **3.957** |
| 5.350 | **Spain** 2 | **1.462** | **57.3** | 62.2 | 65.3 | **158.8** | **1.511** | 1.382 | **2.493** |
| 4.300 | 10 | **3.928** | **21.5** | 18.8 | 47.5 | **165.1** | **3.932** | 3.845 | **3.827** |
| 2.750 | **Switzerland** 2 | **0.602** | **-28.7** | -28.5 | ... | **-15.4** | **0.604** | ... | **0.751** |
| 2.250 | 10 | **1.947** | **-176.6** | -178.6 | ... | **7.9** | **1.958** | ... | **2.255** |
| 3.250 | **U.K.** 2 | **1.272** | **38.3** | 34.2 | 51.7 | **30.8** | **1.231** | 1.246 | **1.213** |
| 4.500 | 10 | **3.948** | **23.5** | 15.4 | 26.8 | **95.1** | **3.898** | 3.638 | **3.127** |
| 0.750 | **U.S.** 2 | **0.889** | **...** | ... | ... | **...** | **0.889** | 0.729 | **0.905** |
| 3.375 | 10 | **3.713** | **...** | ... | ... | **...** | **3.744** | 3.370 | **2.176** |

Source: Thomson Reuters

## U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.




| Ryan Index | Yield to maturity | Modified duration | TOTAL RETURN Month to-date | Quarter to-date | Year to-date | 12-month |
|---|---|---|---|---|---|---|
| **30-year Treasury** | **4.604%** | 16.25 | –6.27% | –7.74% | –25.25% | –26.56% |
| **10-year Treasury** | **3.746** | 8.29 | –4.23 | –2.77 | –8.76 | –9.56 |
| **7 Year Treasury** | **3.226** | 6.24 | –3.12 | –0.87 | ... | ... |
| **Five-year Treasury** | **2.453** | 4.65 | –1.92 | 0.27 | 0.25 | –0.08 |
| **Ryan Index** | **2.733** | 6.71 | –2.80 | –1.67 | –5.99 | –6.43 |
| **3 Year Treasury** | **1.464** | 2.92 | –0.80 | 0.67 | 1.74 | 2.18 |
| **Two-year Treasury** | **0.905** | 1.92 | –0.41 | 0.52 | 1.66 | 1.88 |
| **1 Year Treasury** | **0.407** | 0.98 | –0.08 | 0.23 | 0.98 | 1.04 |
| **Six-month Treasury** | **0.173** | 0.50 | 0.01 | 0.07 | 0.64 | 0.68 |
| **Ryan Cash Index-a** | **0.168** | 0.45 | –0.01 | 0.09 | 0.53 | 0.55 |
| **Three-month bill** | **0.081** | 0.25 | 0.01 | 0.05 | 0.36 | 0.35 |
| **One-month bill** | **0.010** | 0.08 | 0.01 | 0.02 | 0.14 | 0.15 |

a-Performance of a cash investment

Source: Ryan ALM

## Key money rates

| | Latest | 52 wks ago |
|---|---|---|
| **Prime rates** | | |
| U.S. | **3.25%** | 3.25% |
| Canada | **2.25** | 3.50 |
| Japan | **1.475** | 1.675 |
| Britain | **0.50** | 2.00 |
| ECB | **1.00** | 2.50 |
| Switzerland | **0.53** | 2.02 |
| Australia | **3.75** | 4.25 |
| Hong Kong | **5.25** | n.a. |
| **Libor** | | |
| One month | **0.23125%** | 0.47125% |
| Three month | **0.25063** | 1.46750 |
| Six month | **0.43063** | 1.83000 |
| One year | **0.97438** | 2.09125 |

| | Latest | 52 wks ago |
|---|---|---|
| **Euro Libor** | | |
| One month | **0.43625%** | 2.70938% |
| Three month | **0.66563** | 2.98688 |
| Six month | **0.97188** | 3.05688 |
| One year | **1.21813** | 3.14375 |
| **Hibor** | | |
| One month | **0.07000** | 0.30000% |
| Three month | **0.12000** | 1.00000 |
| Six month | **0.25857** | 1.55000 |
| One year | **0.60786** | 1.90000 |
| **Asian dollars** | | |
| One month | **0.2393%** | 0.48% |
| Three month | **0.2643** | 1.4588 |
| Six month | **0.4533** | 1.8300 |
| One year | **0.9900** | 2.0725 |

| | Offer | Bid |
|---|---|---|
| **Eurodollars** | | |
| One month | **0.3500%** | 0.2000% |
| Three month | **0.3300** | 0.2300 |
| Six month | **0.4100** | 0.3100 |
| One year | **0.6500** | 0.5500 |

| | Latest | 52 wks ago |
|---|---|---|
| **U.S. discount** | **0.50%** | 0.50% |
| **Fed-funds target** | **0.25** | 0.25 |
| **Call money** | **2.00** | 2.00 |
| **Overnight repurchase rates** | | |
| U.S. | **0.16%** | 0.13% |
| U.K. (BBA) | **0.500** | 1.767 |
| Euro zone | **0.30** | 2.15 |

Sources: WSJ Market Data Group; Reuters

# MARKETS LINEUP

## Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Wednesday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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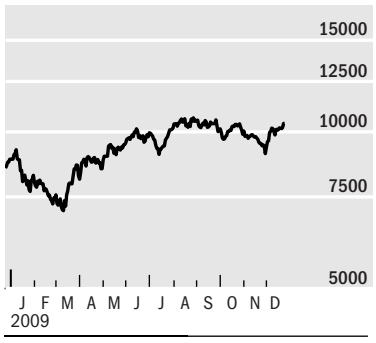
## Asian index movers...

### Nikkei Stock Average
Japan 10378.03
**Market Closed**

Japanese markets were closed for the Emperor's Birthday holiday after the benchmark index hit its highest close in three months on Tuesday.




| Stock | Volume in millions | Change Tuesday | Change Net | Change % |
|---|---|---|---|---|
| Mtshbsh Fin Grp | **480.78** | 474 | 1 | 0.21 |
| Hitachi | **110.38** | 269 | 6 | 2.28 |
| Mizuho Financial | **68.44** | 175 | unch | ... |
| Toshiba | **64.33** | 518 | 23 | 4.65 |
| NEC | **59.26** | 240 | 8 | 3.45 |

### Sensex
India 17231.11
**▲ 3.23% or 539.11**

Stocks reached their highest close in more than two months, sparked by encouraging comments about economic growth and short-covering ahead of the holiday season.

| Stock | Volume in millions | Change Close | Change Net | Change % |
|---|---|---|---|---|
| Hindalco-A | **5.47** | 153.20 | 11.05 | 7.77 |
| N T P C-A | **3.92** | 229.90 | 14.95 | 6.96 |
| Tata Steel-A | **3.63** | 603.30 | 25.70 | 4.45 |
| Dlf-A | **2.22** | 365.90 | 10.30 | 2.90 |
| Reliance-A | **1.40** | 1,065.90 | 47.10 | 4.62 |

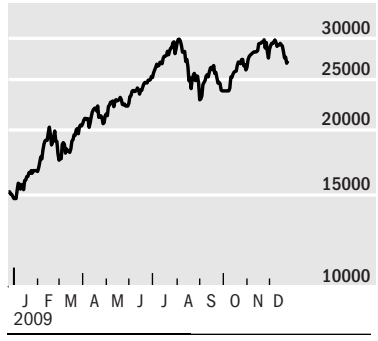
### Hang Seng
Hong Kong 21328.74
**▲ 1.12% or 236.70**

The debut of China Pacific Insurance met with a tepid response. The stock rose 1.1%. Citic Resources rose 7.1% on its plan to sell its 7% stake in two mines.

| Stock | Volume in millions | Change Close | Change Net | Change % |
|---|---|---|---|---|
| Bank Of China | **223.24** | 4.18 | 0.09 | 2.20 |
| CCB | **210.23** | 6.51 | 0.10 | 1.56 |
| Icbc | **121.03** | 6.37 | 0.10 | 1.59 |
| ChinaPetroChem | **61.44** | 6.71 | 0.03 | 0.45 |
| PetroChina | **60.39** | 9.11 | 0.14 | 1.56 |

### CBN 600
China 27152.34
**▲ 1.05% or 283.22**

The advance was led by retailers, on hopes of strong sales during the spring festival holiday in February, and steelmakers, on expectations of rising prices.

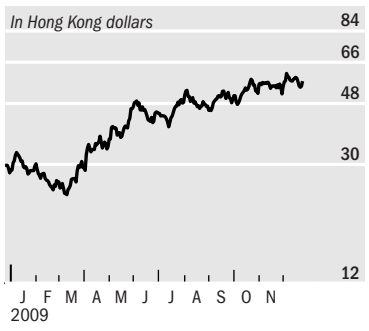



| Stock | Volume in millions | Change Close | Change Net | Change % |
|---|---|---|---|---|
| Metallurgical Cn | **479.34** | 5.22 | –0.22 | –4.04 |
| United Network | **387.57** | 7.05 | 0.16 | 2.32 |
| China State Con | **273.11** | 4.53 | –0.03 | –0.66 |
| HaitongSecs | **149.46** | 17.80 | 0.48 | 2.77 |
| ChinaVankeCoA | **111.69** | 10.33 | 0.03 | 0.29 |

## Asian stocks in the news

### Henderson Land Dev
Hong Kong HK$57.05
**▲ 4.0% or HK$2.20**

Anticipation of strong results from a land auction fueled buying for local property stocks.

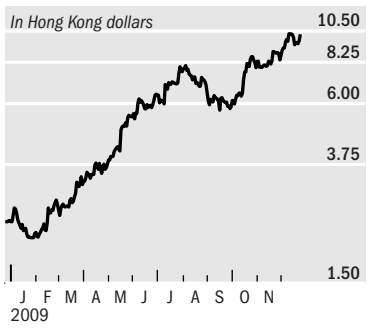



| | |
|---|---|
| Price-to-earnings ratio | **22** |
| Earnings per share, past four quarters | **2.58** |
| Dividend yield | **1.1** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Real Estate | **1.0%** | -2.0% | 36.6% |
| Henderson Land Dev | **4.0%** | -2.2% | 91.4% |

### CNPC (HK)
Hong Kong HK$10.24
**▲ 5.1% or HK$0.50**

The company signed agreements that give China more access to Venezuela's oil reserves.

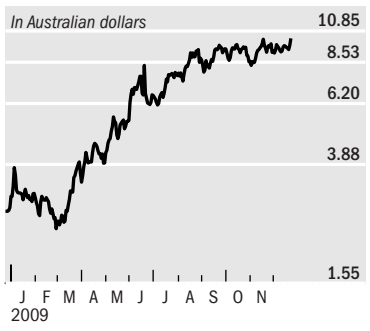



| | |
|---|---|
| Price-to-earnings ratio | **20** |
| Earnings per share, past four quarters | **0.51** |
| Dividend yield | **1.5** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Oil & Gas | **1.6%** | 0.6% | 55.4% |
| CNPC (HK) | **5.1%** | 8.5% | 324.9% |

### Macarthur Coal
Australia A$10.25
**▲ 5.6% or A$0.54**

Shares rose after the company made a takeover bid for Gloucester Coal.

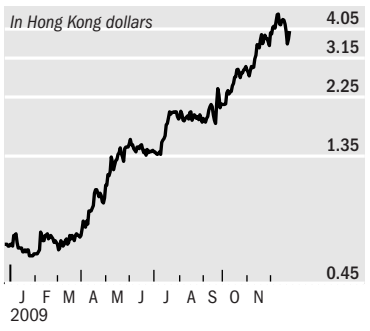



| | |
|---|---|
| Price-to-earnings ratio | **13** |
| Earnings per share, past four quarters | **0.79** |
| Dividend yield | **1.3** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Basic Resources | **1.0%** | -0.7% | 70.2% |
| Macarthur Coal | **5.6%** | 7.3% | 279.6% |

### Geely Automobile Hldgs
Hong Kong HK$3.98
**▲ 7.3% or HK$0.27**

The Chinese car maker agreed to acquire Volvo from Ford Motor.

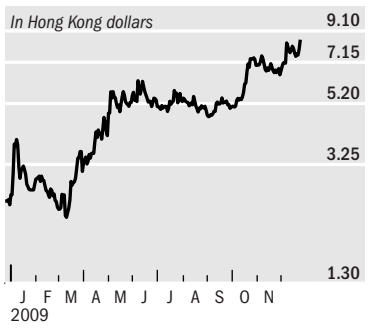



| | |
|---|---|
| Price-to-earnings ratio | **18** |
| Earnings per share, past four quarters | **0.22** |
| Dividend yield | **0.4** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Automobiles & Parts | **0.3%** | -0.8% | 68.2% |
| Geely Automobile Hldgs | **7.3%** | -8.9% | 531.7% |

### Foxconn Intl
Hong Kong HK$8.51
**▲ 7.4% or HK$0.59**

The handset maker's shares climbed as regional technology firms attracted demand.

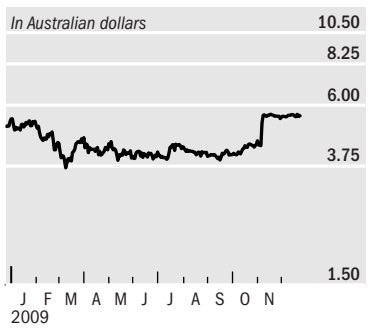



| | |
|---|---|
| Price-to-earnings ratio | **none** |
| Earnings per share, past four quarters | **-0.04** |
| Dividend yield | **none** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Technology | **0.8%** | 1.2% | 68.4% |
| Foxconn Intl | **7.4%** | 11.0% | 247.3% |

### Transurban Grp
Australia A$5.47
**▼ 1.4% or A$0.08**

The tollroad operator completed refinancing for a motorway in Sydney.

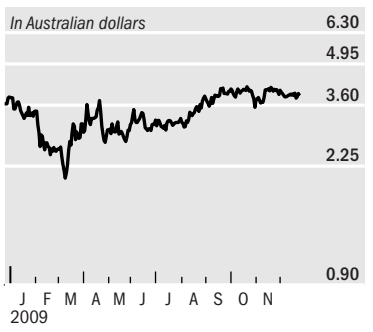



| | |
|---|---|
| Price-to-earnings ratio | **none** |
| Earnings per share, past four quarters | **-0.02** |
| Dividend yield | **2.2** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Indus Gds & Svcs | **0.5%** | -0.4% | 47.6% |
| Transurban Grp | **-1.4%** | -0.5% | 7.3% |

### Stockland
Australia A$3.88
**▼ 1.5% or A$0.06**

The Australian property trust sold $263.7 million in bond notes.

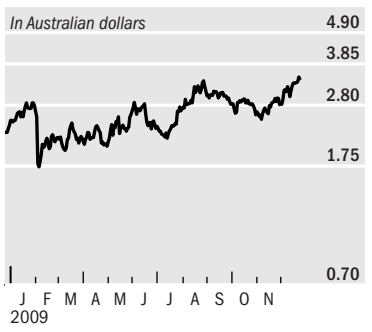



| | |
|---|---|
| Price-to-earnings ratio | **none** |
| Earnings per share, past four quarters | **-1.04** |
| Dividend yield | **none** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Real Estate | **1.0%** | -2.0% | 36.6% |
| Stockland | **-1.5%** | ... | 6.7% |

### Incitec Pivot
Australia A$3.40
**▼ 2.3% or A$0.08**

The company expects sales volumes of explosives in its North American market to be flat over 2010.

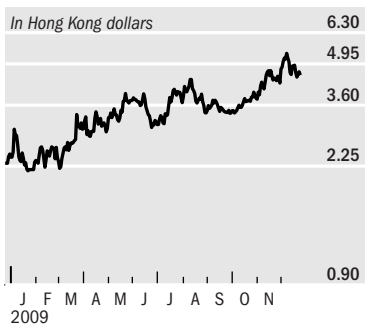



| | |
|---|---|
| Price-to-earnings ratio | **none** |
| Earnings per share, past four quarters | **-0.12** |
| Dividend yield | **0.7** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Chemicals | **0.2%** | -0.5% | 51.3% |
| Incitec Pivot | **-2.3%** | 2.7% | 49.8% |

### Denway Motors
Hong Kong HK$4.54
**▼ 2.6% or HK$0.12**

Shares fell, ending a two-day winning streak, though the stock has risen 3.2% in the past month.




| | |
|---|---|
| Price-to-earnings ratio | **15** |
| Earnings per share, past four quarters | **0.31** |
| Dividend yield | **1.3** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Automobiles & Parts | **0.3%** | -0.8% | 68.2% |
| Denway Motors | **-2.6%** | -7.3% | 97.4% |

### Macquarie Airports
Australia A$2.85
**▼ 3.1% or A$0.09**

The Australian company's stock declined after going ex-dividend.

| | |
|---|---|
| Price-to-earnings ratio | **2** |
| Earnings per share, past four quarters | **1.19** |
| Dividend yield | **2.8** |

| | PERCENTAGE CHANGE Daily | 1 wk. | 52 wks |
|---|---|---|---|
| Indus Gds & Svcs | **0.5%** | -0.4% | 47.6% |
| Macquarie Airports | **-3.1%** | ... | 33.4% |

# HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

## Iron-ore math is a zero for China

Beijing would like nothing more than to find a reason to scuttle an iron-ore production tie-up between **Rio Tinto** and **BHP Billiton**. Unfortunately for China, the numbers don't add up the way it wants.

Planning to combine their mining operations in Western Australia, Rio and BHP would create the world's largest source of seaborne iron ore and hold considerable sway over prices.

China is the world's largest buyer of the steel-making ingredient. So it is little surprise that the China Iron and Steel Association, which describes the deal as a merger, called for the global steel industry to unite to block it.

As always in China, it pays to notice who is doing the talking.

It is telling that China's Ministry of Commerce, whose antimonopoly bureau holds the most power over any foreign deal makers, hasn't joined the chorus.

The math might explain the ministry's reticence.

In the year through November, 42% of China's iron-ore imports, more than 235 million metric tons, came from Australia, China's top supplier.

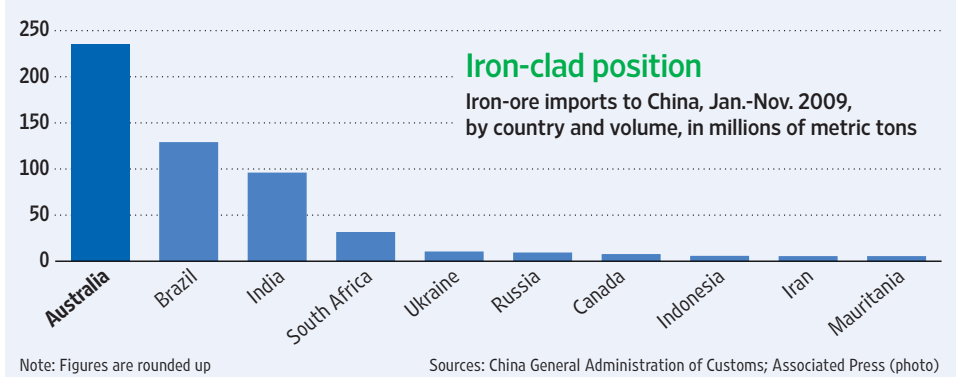
This means China can't take any meaningful action, such as outlawing or penalizing Australian ore imports, without substantially denting its own steel industry.

Alternatives are lacking. The entire output of Brazil's Vale, some 300 million tons last year, doesn't equal the amount the Australians have shipped this year. Buying all of its iron ore from Brazil would make China beholden to a single supplier. Collectively, other large exporters fall short, as well.

Domestically mined ore is of lower quality. Even recent claims made by the Chinese about big discoveries—earlier this month, officials in Hebei province said they discovered a one-billion-ton deposit—are received skeptically. Similar claims in the past have yet to soften China's demand for higher quality, foreign-mined iron ore.

So what is Beijing to do? Some already have resigned themselves to the fact that the country has few options: The People's Daily, the official newspaper of the Communist Party, carried an editorial last Friday on its Web site discussing China's iron-ore quandary. Mostly a scathing critique of China's steel lobby for moving too slowly to head off the Rio-BHP threat, it ended on a note that is worth considering: "Rio and BHP have a tacit understanding. Whether or not they merge, the decision won't change China's weak position in iron-ore price negotiations."

*—Chuin-Wei Yap*




Note: Figures are rounded up

Sources: China General Administration of Customs; Associated Press (photo)

## Uncertainty after Copenhagen could fire up coal

In Copenhagen, world leaders debated climate change they didn't quite believe in enough to overcome political obstacles. Their lack of agreement portends more uncertainty for the U.S. electricity sector.

How America handles carbon emissions affects every power company's investment decisions and valuation.

The big losers are nuclear generators like **Exelon** and **Entergy**. Nuclear plants emit no carbon. If carbon was embedded in electricity prices, as generators using fossil fuels factored it into costs, nuclear profits would benefit.

Conversely, unregulated power producers burning coal benefit from a delay. Carbon pricing would savage margins; that's the idea, after all.

But in its absence, it might be time to reappraise **Allegheny Energy**, the worst-performing S&P Utilities constituent this year. As Morgan Stanley points out, its unregulated generation portfolio is mainly coal-fired, operating where gas-fired competitors set prices. At 11 times 2009 earnings versus a sector average of 13.4, Allegheny appears priced for change that Copenhagen didn't deliver.

*—Liam Denning*

## Primed for another crisis?

Subprime securities whacked the banking sector. Could lenders now face a not-so-prime sovereign crisis?

As government, or sovereign, borrowers rack up large fiscal deficits, banks have been big buyers of their debt. One reason: In a shaky economy, banks are looking for safer alternatives to corporate and consumer loans.

But another is that banks get to hold zero, or little, capital against government obligations.

That is because many sovereign bonds have high credit ratings, just like many subprime securities when they were first issued.

Taking away this advantageous capital treatment could "provide a needed form of market discipline against the government," says Nicole Gelinas, of the Manhattan Institute.

Governments aren't likely to favor adjustments to a system that helps to create demand for their debt. Japan's recent history shows how a dysfunctional relationship can develop between a high-spending government and a banking sector.

But at a time when international banking regulations are being overhauled, central bankers could press for ratings to play less of a role in capital-setting, thus reducing the risk that banks will overload on sovereign debt.

It is time for regulators to make the banks think twice before bowing to sovereigns.

*—Peter Eavis*

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